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BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS SUN CITY WEST WATER AND WASTEWATER DISTRICTS.	DOCKET NO. WS-01303A-02-0867
IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS SUN CITY WATER AND WASTEWATER DISTRICTS.	DOCKET NO. WS-01303A-02-0868
IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS MOHAVE WATER DISTRICT AND ITS HAVASU WATER DISTRICT.	DOCKET NO. W-01303A-02-0869
IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS MOHAVE WATER DISTRICT AND ITS ANTHEM WATER DISTRICT, ITS AGUA FRIA WATER DISTRICT, AND ITS ANTHEM/AGUA FRIA WASTEWATER DISTRICT.	DOCKET NO. WS-01303A-02-0870

Arizona Corporation Commission
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STAFF'S REPLY BRIEF

IN THE MATTER OF THE APPLICATION OF ARIZONA-AMERICAN WATER COMPANY, INC., AN ARIZONA CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES BASED THEREON FOR UTILITY SERVICE BY ITS TUBAC WATER DISTRICT.

DOCKET NO. W-01303A-02-0908

STAFF'S REPLY BRIEF

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I. INTRODUCTION.

This brief replies to the closing briefs submitted by the other parties. Staff will not re-iterate the arguments contained in its closing brief, and Staff relies on its closing brief for each and every matter not expressly discussed in this reply brief.

II. ARIZONA-AMERICAN'S INTERPRETATION OF "FAIR VALUE" IS INCONSISTENT WITH ARIZONA LAW.

A. At the time of statehood, "fair value" could be determined by a multitude of factors.

Arizona-American asserts that the term "fair value" at the time of Arizona statehood in 1912 "had a definite meaning in the context of utility rate-making." (Ariz.-Am. Closing Br. at 3). Staff agrees. But Arizona-American is mistaken as to the meaning of "fair value" in 1912. Arizona-American's definition of "fair value" is that it must be measured by looking only to Reproduction Cost New less Depreciation (RCND). This is simply wrong. In 1912, and today, "fair value" means a flexible approach that allows consideration of numerous factors, of which RCND is only one. Arizona-American begins with a long quotation from *Smyth v. Ames*. But this quote does not support its position:

> [T]he basis of all calculations as to the reasonableness of rates to be charged by a corporation maintaining a highway under legislative sanction must be the **fair value** of the property being used by it for the convenience of the public. And in order to ascertain that value,
> (1) the **original cost of construction,**
> (2) the amount expended in permanent improvements,
> (3) the amount and market value of its bonds and stock,
> (4) the present as compared with the original cost of construction,
> (5) the probable earning capacity of the property under particular rates prescribed by statute,
> (6) and the sum required to meet operating expenses,
> are **all matters for consideration**, and are to be given **such weight as may be just and right in each case**. We do not say that there may not be other matters to be regarded in estimating the value of the property.

Smyth v. Ames, 169 U.S. 466, 546-47 (1898) (emphasis and enumeration added). Arizona-American's claim that original cost may not be considered as part of "fair value" is contrary to *Smyth v. Ames*, which explicitly lists original cost as the first factor that can be considered. As a

commentator stated, "it would seem clear that if *Smyth v. Ames* settled anything at all it determined that the cost of reproduction alone is not the "fair value." Edwin C. Goddard, *The Evolution of Cost of Reproduction as the Rate Base*, 41 Harvard Law Review 564, 564 (1928).

Cases decided after *Smyth v. Ames* but before statehood further demonstrate that fair value is a flexible standard. For example, the year after *Smyth v. Ames*, the Court stated that "[u]ndoubtedly all these matters ought to be taken into consideration, and such weight be given them, when rates are being fixed, as, under all the circumstances, will be just to the company and to the public." *San Diego Land & Town Co. v. City of National City*, 174 U.S. 739, 757 (1899); *see also County of Stanislaus v. San Joaquin & King's River Canal & Irrigation Co.*, 192 U.S. 201, 215 (1904) (same); *City of Knoxville v. Knoxville Water Co.*, 212 U.S. 1, 9-10 (1909) (stating that "the cost of reproduction is not always a fair measure of the present value of a plant which has been in use for many years"). And it is clear that this flexible standard includes original cost: "[n]o doubt, cost may be considered, and will have more or less importance according to circumstances." *San Diego Land & Town Co. v. Jasper*, 189 U.S. 439, 442 (1903) (per Holmes, J.)

Further, commentators at the time clearly understood "fair value" to be a flexible standard that included original cost. For example, an article published the year before statehood notes that the relevant factors include:

> [T]he original cost of construction of the plant under consideration, the amount and market value of its stocks and bonds, and the present cost of constructing a similar plant... Under the circumstances of a particular case, one or the other of the above items may be given controlling weight in the determination of present value.... In the majority of cases, however, all of these elements are considered. In a very few only has any one factor been deemed absolutely controlling.

Edward C. Bailly, *The Legal Basis of Rate Regulation*, 11 Columbia Law Review 532, 537-38 (1911). Another article, published just after statehood, notes that:

> The Supreme Court has gone no further than to mention some of the elements to be considered in determining fair value.... It does not indicate the relative weight to be attached to the various elements, nor does it indicate that in a particular case any weight need attach to certain of the elements.... Those who realize the complexity of the problem are agreed that it is fortunate that the courts, and particularly the United States Supreme Court, has not attempted as yet a more illuminating definition of "fair value." It is recognized that the entire problem is in a developmental stage, and that there is danger of creating precedents that

> may compromise future action when the entire problem has been more fully disclosed.

Robert H. Whitten, *Fair Value for Rate Purposes*, 27 Harvard Law Review 419, 419-20 (1914).

Further, the Commission at statehood viewed original cost as one of the items to be considered. The Commission issued a number of special orders to public service corporations requiring them to report both the original cost and reproduction cost of their plant. *See Pacific Gas & Electric Co.*, Special Order No. 3 (April 2, 1912); *South Side Gas & Electric Co.*, Special Order No. 5A (April 9, 1912); *Tucson Gas, Electric Light and Power Co.*, Special Order No. 7 (May 28, 1912); *Phoenix Ry. Co. of Arizona,* Special Order No. 8 (May 28, 1912); *Clifton Water & Improvement Co.*, Special Order No. 10 (June 7, 1912); *Bisbee-Naco Water Co.*, Special Order No. 11 (June 7, 1912).[1] These orders each provided that the Commission was required by law to find fair value and that therefore the Commission ordered that the listed information be provided. Thus, the Commission at the time of statehood understood that "fair value" was a flexible standard that included original cost.

In the light of Supreme Court cases, contemporary commentators, and the Commission's own actions at the time, it is clear that "fair value" at the time of statehood was a flexible standard that allowed a number of factors to be considered, including original cost. Thus, Arizona-American's argument that original cost is forbidden under "fair value" must be rejected.

B. <u>Arizona cases support the flexible view of fair value.</u>

The Commission has a "range of legislative discretion" in finding rate base. *Simms v. Round Valley Light & Power Co.,* 80 Ariz. 145, 154, 294 P.2d 378, 384 (1956). The only requirement is that the Commission use "reasonable judgment considering all relevant factors" because there is no "set, rigid formula" required. *Id.; see also Ariz. Corp. Comm'n v. Ariz. Pub. Serv. Co.*, 113 Ariz. 368, 370, 555 P.2d 326, 328 (1976). Further, the "weight given to each particular factor is entirely within the discretion of the Commission, so long as that discretion is not abused." *Ariz. Corp. Comm'n v. Ariz. Water Co.*, 85 Ariz. 198, 202, 335 P.2d 412, 414 (1959). Arizona-American suggests that *Simms* supports its view that original cost cannot be used. But in *Simms,* the Arizona

[1] These Special Orders are reprinted in the *First Annual Report of the Arizona Corporation Commission* at pages 231 to 240.

Supreme Court affirmed a Commission order that was largely based on original cost.[2] Therefore, *Simms* simply cannot be read to ban the use of original cost. Arizona-American points to a number of cases, including *Simms*, which hold that fair value must be determined at "the time of inquiry." An Original Cost Rate Base (OCRB) does not violate this requirement because the OCRB varies over the course of time due to depreciation, retirements, etc. Moreover, Youngtown's witness, Mr. Burton, testified that OCRB is a "reasonable measurement of the current value." (Tr. at 1295). Using the current OCRB therefore does not violate the "time of inquiry" test.

Arizona-American attempts to confuse the issue by accusing Staff of using the "prudent investment" theory. (Ariz.-Am. Closing Br. at 6). This theory focuses on capital rather than assets. *See* Charles F. Phillips, Jr., *The Regulation of Public Utilities*, 326 (3rd ed. 1993). Staff looked to the original cost of the assets, rather than the invested capital. Arizona-American's attack on "prudent investment" is irrelevant as to whether fair value can be based on original cost. As demonstrated above, the use of original cost is clearly consistent with *Simms* and *Smyth v. Ames.*

C. The Post-Statehood Non-Arizona cases cited by Arizona-American are not relevant.

Arizona-American points to a number of post-statehood cases from outside Arizona to support its rigid view of fair value. After Arizona achieved statehood, the Supreme Court's interpretation of fair value became more rigid. *See* Morton J. Horwitz, *The Transformation of American Law 1870-1960: The Crisis of Legal Orthodoxy* 160 (1992, paperback ed. 1994) (noting that the traditional view is that this change did not occur until the 1920s). These post-statehood cases are not relevant to the interpretation of the Arizona Constitution. Further, as Professor Phillips notes, this more rigid view only required that RCND be "considered." Phillips, *Supra* at 324. For example, during this era, the Supreme Court upheld an order of the Georgia Railroad Commission that considered but rejected RCND as fair value. *Ga. Ry. and Power Co. v. R.R. Comm'n of Ga.*, 262 U.S. 625, 630 (1923). During this era, the Court also upheld two orders of California's Commission,

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[2] The Commission found that the Fair Value Rate Base (FVRB) should be $136,667. *Simms*, 80 Ariz. at 152, 294 P.2d at 383. The OCRB was $127,017.08 and the RCND was $175,374.27. *Id.* Averaging the OCRB and RCND figures produces $151,195.68, which is substantially more than the FVRB found by the Commission.

which always used original cost. The first of these cases held that original cost is a "relevant fact" in determining fair value and that "the court has not decided that the cost of reproduction furnishes an exclusive test." *Los Angeles Gas & Elec. Co. v. R.R. Comm'n of Cal.*, 289 U.S. 287, 305-307 (1933). And in the next case the Court affirmed the California Commission when the Commission considered but rejected RCND and based its order entirely upon original cost. *R.R. Comm'n of Cal. v. Pac. Gas & Elec.*, 302 U.S. 388, 395-401 (1938).

Arizona-American also points to a case from Illinois, *Union Electric Co. v. Illinois Commerce Comm'n*, 396 N.E.2d 510 (1979). This Illinois case is not relevant to interpreting the Arizona Constitution. But even if this case was relevant, it does not support Arizona-American's view. The Illinois Supreme Court held that fair value is "a highly technical term of art. It is not diametrically opposed to original cost. In determining fair value, original cost and reproduction cost are but two of the several elements that must be considered." *Union Electric*, 396 N.E.2d at 516-17. Therefore, this case cannot support Arizona-American's claim that fair value must exclude original cost.

D. <u>The Commission should not give great weight to RCND.</u>

RCND is inherently speculative and should not be given great weight when other evidence of value – such as original cost – is available. As one expert stated, calculating RCND is "one of the most unreal fields of speculation in which the minds of metaphysicians have disported themselves since the days of medieval schoolmen." Robert L. Hale, *The "Physical Value" Fallacy in Rate Cases*, 30 Yale L.J. 710, 710 (1921). Or as the Arizona Supreme Court said, RCND is "at best opinion evidence that carries the weakness of some inaccuracy." *Simms*, 80 Ariz. at 153, 294 P.2d at 383.

Further, the two leading treatises on rate regulation state that using RCND makes little economic sense. *See* James C. Bonbright et al., *Principles of Public Utility Rates*, 300-301 (2nd ed. 1988) (stating that "[r]eplacement costs are difficult to defend on economic grounds.... [w]ithout question the most telling blow against a reproduction cost standard is its lack of precision resulting from its tenuous economic roots"); Phillips, *Supra* at 336 (stating that "[o]n economic grounds, reproduction cost valuations are exceedingly difficult to defend"); *see also* James C. Bonbright, *The Economic Merits of Original Cost and Reproduction Cost*, 41 Harvard Law Review 593 (1928).

Arizona-American points to four reasons that RCND should be adopted in this case. First, Arizona-American suggests that its RCND is conservative because Advances in Aid of Conservation (AIAC) and Contributions in Aid of Conservation (CIAC) are excluded. (Ariz.-Am. Closing Br. at 21-22). But, as Arizona-American notes, exclusion of AIAC and CIAC was required by the Commission's order that approved the purchase of these assets from Citizens. *(Id.)* Further, it is well-established that AIAC and CIAC should be excluded from rate base. *See Cogent Pub. Serv., Inc. v. Ariz. Corp. Comm'n*, 142 Ariz. 52, 55-57, 688 P.2d 698, 701-703 (App. 1984). Second, Arizona-American argues that its RCND is also understated because it did not trend land, franchises, and certain other elements of rate base. But land should not be trended because it is not a plant asset that can be reproduced. (Chelus Direct, Ex.S-40 at 4; Scott Direct, Ex. S-38 at 6; Hammon Direct, Ex. S-42 at 4; and Hains Direct, Ex. S-41 at 7). And it has long been clear that franchises should not be trended. *See Georgia Ry. & Power,* 262 U.S. at 632. Third, Arizona-American suggests that its RCND is understated because it does not include a "going concern" value. But there is no accepted method for calculating going concern value. *See Los Angeles Gas & Electric*, 289 U.S. at 313-319. Further, these three reasons were not given by Arizona-American's witness. (Tr. at 225) And even if they were correct, Arizona-American does not explain why an understated RCND is superior to OCRB.

Fourth, Arizona-American states that the purchase price it paid for the assets supports the use of RCND. This is the only reason actually given by Arizona-American's witness on the stand. (Tr. at 225). But the same witness agreed that using the purchase price to set rates is circular. (Tr. at 197-98). And it is clear under Arizona law that the purchase price, standing alone, should not be considered in determining the rate base. *Ariz. Water Co.,* 85 Ariz. at 203-04, 335 P.2d at 415. In short, Arizona-American's four reasons do not hold water and do not support 100% reliance on the inherently speculative RCND. In light of the inherent inaccuracy of RCND, the Commission's traditional approach of averaging OCRB and RCND is quite generous. Arizona-American has no grounds to ask for more.

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III. THE COMMISSION SHOULD APPLY THE WEIGHTED AVERAGE COST OF CAPITAL TO THE ORIGINAL COST RATE BASE.

Arizona-American also claims that the so-called "backing-in" method is illegal. (Ariz.-Am. Closing Br. at 39). Under Arizona-American's theory, the weighted average cost of capital must be used as the fair value rate of return. Therefore, under Arizona-American's approach, the rate of return can be calculated before the rate base is determined. But the "rate of return can be calculated only after a fair value rate base has been determined." *City of Tucson v. Citizens Utilities Water Co.*, 17 Ariz. App. 477, 482, 498 P.2d 551, 556 (1972); *see also Scates v. Ariz. Corp. Comm'n*, 118 Ariz. 531, 534, 578 P.2d 612, 615 App. 1978 (Commission must determine fair value and "then must" determine rate of return). Staff's approach is to multiply the weighted average cost of capital by the original cost rate base, and then divide the product by the fair value rate base to determine the fair value rate of return. Under this approach, the fair value rate of return cannot be calculated before the fair value rate base. Therefore, Staff's approach satisfies the *City of Tucson* test. And Staff's approach is the same approach that the Commission has traditionally used and that the Court of Appeals discussed with approval. *See Litchfield Park Serv. Co. v. Ariz. Corp. Comm'n*, 178 Ariz. 431, 435, 874 P.2d 988, 992 (App. 1994).

Arizona-American attacks Staff's position as creating a rate of return that varies by rate base. (Ariz.-Am. Closing Br. at 55). But Arizona-American's approach suffers from the same "flaw." Logically, Arizona-American's approach leads to a different rate of return on OCRB than on RCND. Further, this supposed flaw is no flaw at all. For example, the Supreme Court affirmed an order of California's Commission that established different rates of return on different rate bases. *See Los Angeles Gas & Electric,* 289 U.S. at 292.

In support of its theory that a "fluctuating" rate of return is illegal, Arizona-American points to the Court of Appeals decision in *Ariz. Corp. Comm'n v. Citizens Util. Co.*, 120 Ariz. 184, 584 P.2d 1175 (App. 1978). (Ariz.-Am. Br. at 55). That decision overturned the Commission, which had relied on the Staff expert, Dr. Langum. *(Id.)* However, another Commission order based on Dr. Langum's testimony was affirmed by the Arizona Supreme Court. *See Sun City Water Co. v. Ariz. Corp. Comm'n,* 113 Ariz. 464, 556 P.2d 1126 (1976). The Commission order affirmed in *Sun City*

determined two rates of return – one for original cost, and an adjusted figure for fair value. *See Sun City Water Co.*, Decision No. 43727 at 28 (October 22, 1973). The Commission stated that because "a rate of return on equity based upon book value and fair value are not the same, conclusions reached using a cost of capital study from book statistics must be related to any degree of fair value determined by the Commission" and therefore cost of capital estimates must be restated if they are to be applied to a fair value rate base rather than an original cost rate base. *Id.* at 20. The Commission's rate of return was reversed by Court of Appeals. *Sun City Water Co. v. Ariz. Corp. Comm'n*, 26 Ariz. App. 304, 547 P.2d 1104 (1976). But the Arizona Supreme Court reversed the Court of Appeals and affirmed the Commission's order, stating that the Commission has a "range of legislative discretion" and the Commission's order was supported by substantial evidence. *See Sun City Water Co.,* 113 Ariz. at 465, 556 P.2d at 1127. Therefore, Arizona law grants the Commission broad discretion, and the Commission need not directly apply the weighted average cost of capital to the fair value rate base.

Further, in order for a utility to maintain its credit and attract capital, the weighted average cost of capital must be applied to the OCRB. *See* Phillips, *Supra* at 337. Mr. Reiker agrees with Professor Phillips that for economic reasons the weighted average cost of capital must be applied to the OCRB. (Reiker Direct, Ex. S-45 at 63-66). Therefore, Arizona-American's statement that Mr. Reiker did not comment on how the weighted average cost of capital should be applied to rate base is simply incorrect. (Ariz.-Am. Closing Br. at 55).

IV. THE COMMISSION SHOULD NOT ACCEPT POST-TEST YEAR SERVICE COMPANY CHARGES AND OVERHEADS.

Arizona-American's proposal to use post-test year service company charges and overheads should be rejected because (1) the 2002 figures are not known and measurable; (2) the use of the 2002 figures creates a mismatch between test year revenues, expenses, and rate base; (3) the 2002 figures are imprudently high; and (4) it makes ratepayers responsible for a new owner's higher costs. (Tr. at 970).

Arizona-American asserts that its post-test year (2002) figures are known and measurable. But 2002 was Arizona-American's first year of operations, and therefore the Commission has no way

of knowing if 2002 represents a normal level of expenses because there is nothing to compare it with. (Tr. at 611). Further, Mr. Stephenson testified that some of these costs will decrease as Arizona-American gains experience operating the assets. (Tr. at 471). Accordingly, the 2002 figures are not known and measurable.

Arizona-American seems to concede that using 2002 figures creates a mismatch. To deal with this, Arizona-American makes the radical argument that "every pro forma adjustment creates some sort of mismatch." (Ariz.-Am. Closing Br. at 32). This statement is clearly wrong. For example, no mismatch is created when "not used and useful" plant is removed from rate base.

Further, Arizona-American's 2002 costs are simply too high. Because the 2001 costs were incurred by the previous owner, the Commission has the unique opportunity to directly compare the operating costs of these two companies. Arizona-American's higher costs should be rejected. The issue of charges from the American Water Works Service Company was addressed by the Virginia Commission in its recent order concerning Arizona-American's Virginia affiliate. The Virginia Commission stated that:

> If the service is purchased from an affiliate, the utility may not collect through rates an amount that exceeds the least of three options: the utility's cost of providing the service in-house, the market price for the service, or the cost to the affiliate of providing the service, including a reasonable return.

Virginia-American Water Co., 229 PUR4th 136, 142, Case No. PUE-2002-00375 (Va. State Corp. Comm'n September 3, 2003). In Virginia, Arizona-American's affiliate provided a detailed report on the comparative cost of the service company charges. *Id.* at 141. No such report was submitted in this case. (*See e.g.* Turner Sun City Water Direct, Ex. A-30).

V. THE COMMISSION SHOULD REJECT THE PROPOSED TOLLESON ADJUSTOR.

Arizona-American accuses Staff of "cling[ing] to ratemaking theory." (Ariz.-Am. Closing Br. at 69). This we are happy to admit. Ratemaking theory allows for adjustors only in limited circumstances not present here. *See Scates*, 118 Ariz. at 535, 578 P.2d at 616 (adjustor may be used for "fluctuations in certain, narrowly defined, operating expenses"). As discussed in Staff's closing brief, the Commission previously eliminated the Tolleson adjustor, and it should not be resurrected now. Arizona-American claims that the Tolleson Rate Component 4 costs are known. (Ariz.-Am.

Closing Br. at 69). But Arizona-American's own witness admitted that these costs are not known and measurable. (Tr. at 146-47). Arizona-American claims that denying this adjustor threatens its "financial integrity." (Ariz.-Am. Closing Br. at 70). Requiring capital investment to fund a capital project does not destroy financial integrity. And whatever the merits of Arizona-American's claim, it is based on treating the Sun City District as a stand-alone entity. But one of the benefits that Arizona-American claimed for its asset purchase, and for the approval of the RWE transaction, was increased access to capital. Arizona-American should not now be able to deny this benefit.

VI. THE COMMISSION SHOULD ADOPT STAFF'S LEVEL OF ACCUMULATED DEPRECIATION.

As explained in Staff's closing brief, Staff's level of accumulated depreciation should be adopted because it properly shows the effect of the disallowed plant. Arizona-American advances what can be called the "we just bought it" defense, asserting that it should not be responsible for inadequate records. (Ariz.-Am. Closing Br. at 28). Presumably, Arizona-American conducted a due diligence investigation of the assets before it bought them. And in any event, Arizona-American became fully responsible for the assets upon closing. Arizona-American's defense must be rejected.

VII. STAFF'S RECOMMENDED 6.5 PERCENT WEIGHTED AVERAGE COST OF CAPITAL IS CALCULATED THROUGH PROPER APPLICATION OF APPROPRIATE ECONOMIC MODELS AND SHOULD BE ADOPTED.

Properly functioning equity cost estimation models provide a higher result when economic factors such as interest and bond rates are high and a lower result when interest and bond rates are low. Arizona-American argues the models are "broken" when economic factors work to indicate a lower cost of equity. That argument should be rejected.

A. Arizona-American's restatement of Staff's DCF analysis should be rejected.

Proper application of the Discounted Cash Flow (DCF) analysis results in a cost of equity that is not as high as Arizona-American desires. Arizona-American calls the model's result "nonsense" and improperly inflates the model's results by dismissing dividends per share (DPS) growth. *(Id.)*. Staff, on the other hand, includes dividend growth in its model because the DCF formula is predicated on dividend growth. Arizona-American fails to present a compelling reason to exclude dividend growth. (Reiker Surrebuttal, Ex. S-46 at 9).

Arizona-American argues when earnings per share (EPS) grow more rapidly than DPS, investors will surely conclude that a company is saving for future expenses and expect faster future growth. (Zepp Rebuttal, Ex. A-49 at 45). As Staff points out, investors are just as likely to conclude a company's leaders expect future earnings to decrease and want to avoid future dividend reductions when earnings decrease. (Reiker Surrebuttal, Ex. S-46 at 12; Staff Closing Br. at 16). The omission of DPS growth from the DCF model moves the model's results away from and not toward a reliable estimation. The omission works only to inflate the estimate to the detriment of ratepayers. Dr. Zepp's restatement should be rejected.

Arizona-American inflates its cost of equity estimate by adding a "supernormal" growth stage between the first and second stages of the multi-stage DCF formula. (Staff Closing Br. at 17; Reiker Surrebuttal, Ex. S-46 at 16). The addition of this stage should be rejected as illogical and misapplied as explained in Staff's closing. (Staff Closing Br. at 17). Further, its inclusion is not supported by Myron Gordon's email as Arizona-American claims. (Ariz.-Am. Closing Br. at 46). In fact, Dr. Gordon states he cannot comment "on whether Dr. Zepp used the best possible method" to implement the espoused principle. (Zepp Rejoinder, Ex. A-50, Exhibit TMZ-RJ2). This inflationary restatement of Staff's DCF analysis should also be rejected.

B. <u>The CAPM is the favored method of estimating risk and return and Dr. Zepp's risk premium analyses should be rejected</u>.

Dr. Zepp describes the Capital Asset Pricing Method (CAPM) version used by Staff and Residential Utility Consumer Office (RUCO) as applicable to "special cases of the more general risk premium approach" and disregards its results in his equity cost estimate. (Ariz.-Am. Closing Br. at 47). The CAPM model is the work of Nobel Prize winning economists and the favored method of estimating equity costs among CFO's and economists. (Staff Closing Br. at 17). The model should not be rejected just because it properly yields low cost of equity results.

Zepp's restatement of Staff's CAPM method should be rejected. As illustrated in Staff testimony and its Closing Brief, the variables used by Staff are proper. (Staff Closing Br. at 17-18; Reiker Direct, Ex. S-45 at 23-25).

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C. Results of the DCF method and the CAPM both satisfy the comparable earnings standard and Dr. Zepp's comparable earnings method should be rejected.

Dr. Zepp argues that his inflated results should be adopted because they fall somewhere within the range of either the cost of equity found for water companies in other jurisdictions, or they fall somewhere within the range of actual earnings of other companies in other jurisdictions. This method of determining equity cost is called the comparable earnings method. While the comparable earnings method was once widely used to determine equity cost it has been replaced by the market based corporate finance models, including the DCF method and the CAPM. (Reiker Surrebuttal, Ex. S-46 at 37).

The comparable earnings method and the comparable earnings standard are not one and the same. Clearly an equity cost estimate need not be obtained using the comparable earnings method to meet the comparable earnings standard. The DCF method and the CAPM estimate the cost of equity by quantifying the anticipated dividends and capital gains investors expect to earn by purchasing shares of stock with comparable risk. (*Id.*). Therefore, the results obtained from the DCF and CAPM models meet the *Hope* comparable risk standard.

D. Staff's recommendation meets the capital attraction standard.

Staff's recommended rate of return results in a 3.0 pre-tax interest coverage ratio. (Reiker Surrebuttal, Ex. S-46 at 29). Arizona-American improperly calculates its approximately 1.0 pre-tax interest coverage using accounting data which implies that the Commission is obligated to provide an opportunity to earn a return on assets not devoted to public service. (*Id.*). Arizona-American is not entitled to such returns.

Arizona-American then leaps to the conclusion that if its equity cost and rate of return estimates are not adopted in this case, the Commission will have adopted a rate that is confiscatory and illegal. Staff's recommended rate of return is based on sound economic principle and results in a rate of return that will allow Arizona-American the opportunity to, with efficient management, cover its capital costs. Such a return is not confiscatory.

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E. Staff's recommended capital structure is the result of analysis of Arizona-American's specific amounts of debt and equity and should be adopted.

Arizona-American's capital structure argument is unclear. However, it appears that because Staff required Arizona-American to provide specific dollar amounts of debt and equity (as required on Schedule D-1 of the application) Arizona-American argues Staff is required to present its specific findings of equity and debt amounts or Staff's testimony should be rejected. The argument fails on two accounts. First, Staff did provide the dollar amount of long-term debt in both Mr. Reiker's Direct (Reiker Direct, Ex. S-45 at Schedule JMR-2, Column G, Line 7) and Mr. Reiker's surrebuttal testimonies. (Reiker Surrebuttal, Ex. S-46 at Schedule JMR-S17, Column G, Line 10). Second, the record clearly illustrates how Staff arrived at its capital structure recommendation. Staff clearly based its recommendation on an accurate analysis of the information provided by Arizona-American. staff's capital structure recommendation of 39.9 percent equity and 60.1 percent debt should be adopted. (*Id.* at 28).

VIII. STAFF'S REVISED RATE DESIGN SHOULD BE ADOPTED.

Staff's original rate design incorporates factors such as revenue stability, affordability and simplicity into a conservation-based three-tiered inverted block rate design. Staff still believes that accepting its original rate design would benefit the public interest. However, Staff understands that designing rates is an art as much as it is a science. A different rate design may be beneficial to customers, achieve conservation and provide for revenue stability. Unfortunately, Arizona-American's new proposed rate design is fraught with problems. Staff cannot endorse Arizona-American's new rate design proposal. However, in response to this proposal Staff presents an updated rate design proposal that addresses some of the concerns by Arizona-American and intervenors, yet still achieves the goal of conservation, efficient use of water, balancing affordability, fairness, simplicity and revenue stability.

A. Arizona-American's objections to Staff's original rate design should be rejected.

Arizona-American argues that Staff's original rate design should be rejected because it is not supported by a cost of service study. (Ariz.-Am. Closing Br. at 57). But Arizona-American's proposal is not supported by a cost of service study. No cost of service study was filed by Arizona-

American in its direct case to support the present rate structure. Arizona-American argues that it did not need a cost of service study because it is keeping the same rate design as is currently in effect, but there is no way to tell whether that design is supported by cost unless a cost of service study is conducted. Arizona-American's sole reason to introduce a cost of service study in its rebuttal testimony was to rebut Staff's rate design; Arizona-American never showed that its proposal on rate design was supported by cost. More importantly, the rates currently in effect were not based on cost, but on a myriad of other factors, including a first step towards conservation. (Decision 60172, Ex. S-2 at 40-41).

Arizona-American further argues that because the first tier is below cost in Staff's original rate design, Staff's rate design will not achieve conservation. (Ariz.-Am. Closing Br. at 57-58). This argument is also flawed. Apparently, Arizona-American believes that important factors, such as affordability and recognizing the nondiscretionary and inelastic need for water, cannot be balanced within a conservation-oriented rate structure. Staff's original rate design recognizes that when water use is nondiscretionary and needed to sustain life, health and hygiene, water use will not be diminished at that level. (Tr. at 1064-65, 1067, 1074, 1076, 1137-38). Staff's analysis concluded that 4,000 gallons was an appropriate breakover point between the first (nondiscretionary) and second tier. (Tr. at 1064). The incentive to reduce consumption would only come when water use is more discretionary, at the second and third tiers. (Tr. at 1065, 1137-38). Arizona-American ignores the fact that second-tier rates in Staff's original rate design achieve recovery of the subsidy in the first tier and also send the price signal to customers to conserve water.[3] (Tr. at 1065, 1086, 1096) While the breakover between the second and third tier is at a relatively high 100,000 gallons, the purpose is to ensure revenue stability and send a more pronounced price signal, especially to future customers. (Tr. at 1092, 1098). Arizona-American ignores the balancing of interests in its criticism. Staff, on the contrary, embraces those factors into its original rate design. (Tr. at 1105). Staff's original rate

[3] Arizona-American's Rejoinder Testimony, Schedule 2, shows that, for the majority of water divisions where the demand charges are incorporated within the commodity rate, Staff's second tier commodity rate, the rate between 4,001 and 100,000 gallons, is above cost. (*See* Kozoman Rejoinder Testimony, Ex. A-63 at Rejoinder Schedule 2). Given that the goal of the rate design is for Arizona-American to achieve its required revenues for the entire system and not per customer or per division, Staff's original rate design is appropriate.

design is an appropriate balancing, in the public interest.

B. Arizona-American failed to provide a cost of service study in its direct testimony.

Arizona-American, the Town of Youngstown, and Sun Health all criticized Staff's original rate design for failure to differentiate between residential and commercial and industrial customers.[4] Staff does not agree with the assertion that because there is no differentiation, conservation will not be achieved. However, Staff does agree that a rate structure can be designed that promotes conservation with different breakover points for each size of meter. (Tr. at 1120-21). The problem in this case was that Arizona-American never filed a cost of service study in its direct case. A cost of service study would have aided Staff in developing a rate design with separate breakover points for each meter size (Tr. at 1140-41). Given that Arizona-American never offered a three-tiered rate design counterproposal in its testimony, Staff was obligated to design a rate structure that best balanced many important factors. (Tr. at 1107). While Staff recognizes that a rate design could be constructed with separate breakover points per meter size that successfully balances many factors, Arizona-American did not provide Staff with all the resources needed to do so. Therefore, Staff's rate design had uniform breakover points for all meter sizes.

C. Staff's revised rate design should be adopted and Arizona-American's revised proposal should be rejected.

In response to Arizona-American's updated rate design proposal, Staff has attached its own revised rate design proposal. Also attached is a Staff Report detailing the deficiencies in Arizona-American's updated rate design proposal and the added benefits of Staff's revised rate design. What follows is a summary of both.

1. Staff's Rate Design incorporates the concerns by the parties, promotes conservation, yet balances other important factors in a fair and just way.

Staff's revised rate design is based on meter size, not on the class of customer. Staff's revised

[4] Frank Grimmelman is also opposed to Staff's original rate design. (Grimmelman Closing Br. at 5). While the RUCO does not endorse Staff's original rate design, RUCO states that it "remains open to other possible rate designs provided that . . . there is an equitable distribution of rates to each respective class." (RUCO Closing Br. at 12). The Arizona Utility Investor's Association does not comment on Staff's original rate design in its initial brief.

rate design does not discriminate against residential customers. Staff's rate design does differentiate between meter sizes by increasing the breakover point between tiers as the meter size increases. For instance, in the Agua Fria division, one inch metered customers have a breakover point of 50,000 gallons of water between tier one and tier two; two-inch metered customers have a breakover point of 100,000 gallons of water between tier one and tier two. However, the increasing breakover point applies to all classes of customer with that meter size. In this way, Staff's revised rate design successfully responds to the concerns of Sun Health and Youngtown while avoiding the discrimination present in Arizona-American's updated proposal.

Staff's revised rate design is still an inverted tiered block rate design and still promotes conservation. For the vast majority of meter sizes, the revised design is a two-tiered inverted block rate design. However, because of the nondiscretionary use and inelastic need for water by residential customers, Staff has added a third tier for the smallest meter sizes for residential customers. For all of the reasons stated in Staff's pre-filed testimony and during the hearing, this first tier properly recognizes the nondiscretionary character of water use for residential customers up to 4,000 gallons. Except for the nondiscretionary tier for residential customers, commercial customers and residential customers are charged exactly the same for their water use based on the meter size. Staff's revised rate design still balances the primary goal of conservation and efficient use of water with other important factors while responding to the concerns of some of the intervenors.

Staff's revised rate design also addresses the issue regarding the multi-family residential customers and multi-unit commercial customers for the Mohave and Havasu water districts. While Staff still recommends that this issue be fully addressed by Arizona-American in the next rate case, Staff's rate design starts the move towards a design that charges these customers based on actual meter size while avoiding significant impact on other customers. Staff has accomplished this by calculating the monthly minimum charge by taking the monthly minimum for 5/8-inch meter customers, multiplying that by the number of units and dividing the product in half. While not entirely solving the issue, the problem is significantly abated without adversely impacting other customers.

. . .

2. Arizona-American's updated proposal is flawed and should not be adopted.

Staff appreciates the effort Arizona-American made in designing its updated rate design proposal. In many ways, Arizona-American's updated design is an improvement. However, Staff still cannot support Arizona-American's updated design for the reasons summarized below and detailed in the Staff Report attached to this brief. Staff would recommend adopting its revised rate design instead.

Arizona-American's updated rate design unfairly discriminates against residential customers. Higher breakover points exist between tiers for commercial customers than for residential customers, meaning the residential customers pay more for water than commercial customers for the same services. Using the Agua Fria Division as an example a residential customer on a one-inch meter would pay $2.56 per 1,000 gallons at 20,000 gallons of use, while a commercial customer on the same size meter would pay only $1.71 per 1,000 gallons at 20,000 gallons of use under Arizona-American's updated rate design. Staff's revised rate design would have both commercial and residential customers paying $1.78 per 1,000 gallons at 20,000 gallons of use. Commercial customers do not have the inelastic need for water the way residential customers do, so no nondiscretionary recognition is justified. While Staff's revised rate design charges customers based on meter size, Arizona-American's updated design punishes residential customers.

Furthermore, Arizona-American's rate design results in illogical breakover points for commercial customers. For instance, in the Anthem water division, the breakover points for commercial customers are as follows:

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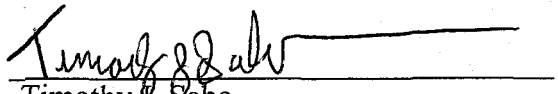
Meter Size	Breakover Point
¾ "	22,000 gal.
1"	5,332,500 gal.
1.5"	235,000 gal.
2"	221,000 gal.
3"	4,892,500 gal.
4"	7,644,531 gal.
6"	15,289,063 gal.
8"	24,462,500 gal.

The design for commercial customers is based only for each meter size independently, without regard to the use patterns of other meter sizes. This can also lead to a "crossover" situation as explained in the Staff Report. The breakover points for commercial customers do not make sense when all the meter sizes are examined in concert.

Finally, Arizona-American's rate design does nothing to address the situation of the minimum charges for multi-family residential and multi-unit commercial customers for the Mohave and Havasu districts. While the situation cannot be entirely resolved until the next rate case, significant steps should be taken here. Staff's revised rate design lessens the adverse impact. Arizona-American's updated proposal does not.

RESPECTFULLY SUBMITTED this 18th day of February 2004.



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ATTACHMENT

MEMORANDUM

TO: Docket Control

FROM: Ernest G. Johnson
Director
Utilities Division

DATE: February 18, 2004

RE: STAFF REPORT FOR ARIZONA-AMERICAN WATER COMPANY, INC. (DOCKET NOS. W-01303A-02-0867, W-01303A-02-0868, W-01303A-02-0869, W-01303A-02-0870, AND W-01303A-02-0908)

Attached is the Staff Report in response to Arizona-American Water Company, Inc.'s permanent rate application brief supplement to the record regarding rate design.

EGJ:DRR:rdp

Originator: Dennis Rogers

Attachment: Original and fourteen copies

Service List for: Arizona-American Water Co , Inc.
Docket Nos. W-01303A-02-0867
W-01303A-02-0868
W-01303A-02-0869
W-01303A-02-0870
W-01303A-02-0908

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STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

ARIZONA-AMERICAN WATER CO., INC.

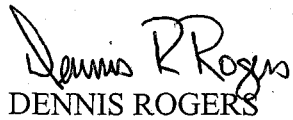
DOCKET NOS. W-01303A-02-0867
W-01303A-02-0868
W-01303A-02-0869
W-01303A-02-0870
W-01303A-02-0908

STAFF'S RESPONSE TO SUPPLEMENTAL RATE DESIGN FILING

FEBRUARY 2004

STAFF ACKNOWLEDGMENT

The Staff Report for Arizona-American Water Co, Inc., Docket No. W-01303A-02-0867, et al., was the responsibility of the Staff member listed below. Dennis Rogers was responsible for the rate design.



DENNIS ROGERS
PUBLIC UTILITIES ANALYST IV

EXECUTIVE SUMMARY

This Staff Report and recommended rate design is in response to the Arizona-American Water Company, Inc. ("AWWC" or "Company") filing of a supplement to the record on January 23, 2004, of a proposed inverted-block rate design and schedules for each of seven water districts.

The Company's amended rate structure is in many aspects an improvement over its original filing, however it continues to exhibit two notable deficiencies that should be remedied to make it acceptable. The notable deficiencies in the Company's rate structure are price discrimination against residential customers in all seven districts and multi-family residential and multi-unit commercial customers in the Mohave and Havasu water districts.

Staff recommends a revised rate design that not only rectifies the deficiencies in the Company's amended rate design, but also addresses critical comments and testimony of Staff's initial rate design to provide the Commissioners with the opportunity to adopt a rate design in order that most appropriately addresses all considerations. Staff's recommended revised rate design has break-over points between tiers that vary by meter size and are particular to each of the seven water districts. Schedules showing Staff's revised rate design and showing its effect on median and average consumption by meter size and customer class are attached.

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SCHEDULES

Attachments

Introduction

This Staff Report and recommended rate design responds to Arizona-American Water Company, Inc.'s ("AAWC" or "Company") January 23, 2004 supplemental filing that proposed an inverted-block rate design for each of seven water districts. The Company's supplemental filing of a conservation-oriented inverted-block rate design is a response to comments made by Commissioner Mundell on the first day of the hearing. Although the Company's amended rate structure is in many aspects an improvement over its original filing, it continues to exhibit notable deficiencies that should be remedied to make it acceptable. A discussion of those deficiencies follows.

Staff has prepared a revised recommended rate design that rectifies the deficiencies of price discrimination against residential customers in all seven water districts and against multi-family residential and multi-unit commercial customers in the Mohave and Havasu water districts. It also addresses critical comments and testimony of Staff's initial rate design to provide the Arizona Corporation Commissioners with the opportunity to adopt a rate design that most appropriately addresses all considerations.

Deficiencies in AAWC's Supplemental Rate Design

Residential Price Discrimination

The Company's amended rate design discriminates against residential customers in favor of commercial customers. The Company's amended rate design has higher break-over points between tiers for commercial customers than for residential customers, meaning that residential customers pay higher commodity rates than commercial customers for identical service. For example, in the Company's rate design for the Havasu water district, the third tier begins at 10,000 gallons for 5/8-inch meter residential customers and at 32,000 gallons for commercial customers with the same meter size. The Company has not provided any justification for this discriminatory pricing.

The Company bases its commercial break-over points on the water use patterns for each meter size independently, i.e., without regard to the use patterns of other meter sizes. Such isolated calculation of break-over points between tiers is illogical and results in situations in which a customer's bill would be greater if he/she had a smaller versus a larger meter and used the same amount of water (Staff refers to a situation where a customer would have a lower bill with a larger meter for the same consumption as a "crossover"). This is illogical, unfair and unnecessary. The Company's proposed rate design for the Anthem water district with break-over points at 22,000 gallons and 5,332,500 gallons for ¾-inch and1-inch commercial customers, respectively, is an example in which the Company's rate design creates an opportunity for crossovers. A ¾-inch customer's bill would be greater than a 1-inch customer's bill at all consumption levels exceeding 50,000 gallons with the Company's proposed rates. The Company has created multiple crossover situations in its rate designs. An appropriate rate design would take a more comprehensive view that considers consumption across meter sizes.

Multi-Unit Price Discrimination

The Company proposes to perpetuate the cumbersome rate design for the multi-family residential and multi-unit commercial customers for the Havasu and Mohave water districts. The proposed rate design calculates the monthly minimum charge for multi-family residential customers and multi-unit customers by multiplying the monthly minimum charge for a 5/8-inch meter by the number of units in the complex. The proposed rate design creates the need for 125 separate bill counts for the Mohave water district alone. The Company's proposed rate design for multi-family residential and multi-unit commercial customers is discriminatory because it charges these customers a higher amount than all other customers who have the same meter sizes for the same consumption. In addition to being unfair, this rate design is unwieldy and difficult to regulate.

Staff's Recommended Rate Design

Staff has attached a revised recommended rate design and schedules to this report. Staff's revised rate design refines Staff's previous rate design to address critical comments and testimony of its initial rate design. The revised rate design also rectifies the deficiencies of the Company's amended rate design to give the Commissioners the opportunity to adopt the rate design that appropriately addresses all considerations. Staff's recommended rate design is based upon Staff's surrebuttal revenue requirement. The recommended rate design attached to this report is non-discriminatory between the residential and commercial classes while supporting the statewide effort to improve water use efficiency. Staff's recommended rate design promotes the efficient use of water while also providing customers with tiers that correspond to their water use levels and the prices they are paying in their monthly minimum charges.

Staff's revised rate design is developed individually for each of the seven water districts based upon their water use patterns and revenue requirements. Staff's revised rate design has three tiers for residential customers with 5/8-inch and ¾-inch meters, along with the 1-inch meters for Anthem residential customers due to sprinkler requirements, and two tiers for all other customers. The first tier for those small meter residential customers is 4,000 gallons based upon Staff's estimation of non-discretionary water use, the amount of water required for basic hygienic needs. The commodity rate for the 4,000 gallon non-discretionary use is less than the commodity rates for other residential and commercial use. The non-discretionary use tier is not applicable to residential customers using larger meter sizes and commercial customers because their water needs vary to a large degree so that no non-discriminatory level is identifiable. Additionally, the 4,000 gallons included in the non-discretionary use tier is an insignificant amount to large meter residential customers and commercial customers.

Staff's rate design establishes the same break-over points between tiers for residential and commercial customers, except for the non-discriminatory use tier, to treat all customers equally. The break-over points for each water district increase with each meter size under both the Company's amended and Staff's revised rate designs. However, unlike the Company's amended rate design, Staff's revised rate design avoids crossovers in which larger meter size customers have lower bills than smaller meter customers with the same consumption. Staff's revised rate design eliminates this crossover effect by coordinating the relationship between the monthly minimum charges for each meter size and the commodity rates of the tiers in each water district.

Staff's recommended rate design is devoid of the illogical and unfair crossovers that plague the Company's rate design. In no instance can customers circumvent water usage costs by moving to a larger meter. In every instance, a customer's bill would increase with increased consumption or with the selection of a larger meter size.

In response to a number of customer complaints, Staff reviewed the multi-family and multi-unit customer rate designs and found that their concerns are valid; multi-family residential and multi-unit commercial customers are being subjected to discriminatory pricing. The bills for these customers are higher than for any other customer with the same meter size and consumption. Following the concept of gradualism, Staff is recommending a rate design that starts addressing this issue in this rate case by calculating the monthly minimum charge for multi-family residential customers and multi-unit commercial as the 5/8-inch meter minimum charge multiplied by the number of units in the complex multiplied by one half with a floor set at the minimum charge for the customer's actual meter size. Staff's recommended rate design avoids causing significant customer impact in this rate case while allowing for completing the move to a simpler, more conventional rate design in which the multi-family residential customers and multi-unit commercial customers are paying the minimum charge based upon actual meter size in the next rate case.

Staff recommends adoption of the rate design contained in the attached schedules.

ARIZONA-AMERICAN WATER COMPANY, INC. - AGUA FRIA WATER: RATE DESIGN REVISED 2/17/2004
Docket No. WS-01303A-02-0867 et al.
Test Year Ended December 31, 2001

Agua Fria Schedule DRR-1
Revised 2/17/2004

Description	Present Application	Staff Recommended	Difference	%
Residential 5/8"	$ 3,329,614	$ 2,779,015	$ (550,599)	-16.54%
Residential 3/4"	37,804	27,548	(10,256)	-27.13%
Residential 1"	409,459	363,695	(45,764)	-11.18%
Residential 1.5"	83,967	74,756	(9,211)	-10.97%
Residential 2"	372,404	328,552	(43,852)	-11.78%
Residential 3"	-	-	-	0.00%
Commerical 5/8"	4,830	4,382	(448)	-9.27%
Commerical 3/4"	3,945	3,315	(630)	-15.97%
Commerical 1"	34,250	30,535	(3,715)	-10.85%
Commerical 1.5"	106,450	91,846	(14,604)	-13.72%
Commerical 2"	391,367	343,669	(47,698)	-12.19%
Commerical 3"	357,919	317,950	(39,969)	-11.17%
Commerical 6"	163,506	148,646	(14,860)	-9.09%
Pub. Interrupt 3"	4,838	4,838	-	0.00%
Pub. Interrupt 6"	200,969	200,953	(16)	-0.01%
Pub. Interrupt 8"	71,829	71,829	-	0.00%
Pub. Interrupt 10"	-	-	-	0.00%
Prison 4"	248,933	214,420	(34,513)	-13.86%
PF 4"	3,960	3,406	(554)	-14.00%
PF 6"	12,420	10,524	(1,896)	-15.27%
PF 8"	5,040	4,334	(706)	-14.02%
Total Revenues	$ 5,843,504	$ 5,024,212	$ (819,292)	-14.02%
Miscellaneous Revenues	339,961			
Total	6,183,465			
Schedule All-1 Revenue Requirement		5,024,057		
Bill Count Over/(Short) Revenue Requirements		$ 155		
Percent		0.0031%		

MINIMUM MONTHLY CHARGES AND COMMODITY RATES

LINE NO.	CUSTOMER CLASS	PRESENT		COMPANY PROPOSED		STAFF RECOMMENDED		PRESENT RATES			
								TIER ONE		TIER TWO	
		MINIMUM CHARGE	GALLONS INCLUDED	MINIMUM CHARGE (b)	GALLONS INCLUDED	MINIMUM CHARGE	GALLONS INCLUDED	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT
1	Residential 5/8"	$ 10.00	-	$ 13.76	-	$ 8.60	-	$ 1.7800	8,000	$ 2.2400	Infinite
2	Residential 3/4"	15.00	-	17.94	-	8.60	-	1.7800	8,000	2.2400	Infinite
3	Residential 1"	25.00	-	26.30	-	22.00	-	1.7800	8,000	2.2400	Infinite
4	Residential 1.5"	53.00	-	47.20	-	46.00	-	1.7800	8,000	2.2400	Infinite
5	Residential 2"	80.00	-	72.29	-	69.00	-	1.7800	8,000	2.2400	Infinite
6	Residential 3"	155.00	-	130.82	-	135.00	-	1.7800	8,000	2.2400	Infinite
7	Residential 4"	200.00	-	214.44	-	175.00	-	1.7800	8,000	2.2400	Infinite
8	Residential 6"	400.00	-	423.47	-	350.00	-	1.7800	8,000	2.2400	Infinite
9	Residential 8"	800.00	-	710.05	-	688.00	-	1.7800	8,000	2.2400	Infinite
10	Commerical 5/8"	10.00	-	13.76	-	8.60	-	1.7800	8,000	2.2400	Infinite
11	Commerical 3/4"	15.00	-	17.94	-	8.60	-	1.7800	8,000	2.2400	Infinite
12	Commerical 1"	25.00	-	26.30	-	22.00	-	1.7800	8,000	2.2400	Infinite
13	Commerical 1.5"	53.00	-	47.20	-	46.00	-	1.7800	8,000	2.2400	Infinite
14	Commerical 2"	80.00	-	72.29	-	69.00	-	1.7800	8,000	2.2400	Infinite
15	Commerical 3"	155.00	-	130.82	-	135.00	-	1.7800	8,000	2.2400	Infinite
16	Commerical 4"	200.00	-	214.44	-	175.00	-	1.7800	8,000	2.2400	Infinite
17	Commerical 6"	400.00	-	423.47	-	350.00	-	1.7800	8,000	2.2400	Infinite
18	Commerical 8"	800.00	-	710.05	-	688.00	-	1.7800	8,000	2.2400	Infinite
19	Pub. Interrupt 2"	-	-	-	-	-	-	1.0000	Infinite		
20	Pub. Interrupt 3"	-	-	-	-	-	-	1.0000	Infinite		
21	Pub. Interrupt 6"	-	-	-	-	-	-	1.0000	Infinite		
22	Pub. Interrupt 8"	-	-	-	-	-	-	1.0000	Infinite		
23	Pub. Interrupt 10"	-	-	-	-	-	-	1.0000	Infinite		
24	Prison 4"	200.00	-	200.00	-	171.97	-	2.0200	Infinite		
25	PF 4"	30.00	-	30.30	-	25.80	-	1.7800	Infinite		
26	PF 6"	45.00	-	45.45	-	38.69	-	1.7800	Infinite		
27	PF 8"	60.00	-	60.60	-	51.59	-	1.7800	Infinite		
28	PF 10"	120.00	-	121.20	-	103.18	-	1.7800	Infinite		
29	PF 12"	180.00	-	181.80	-	154.77	-	1.7800	Infinite		
30	Construction	-	-	-	-	-	-	1.0000	Infinite		
31	Construction/Untreated CAP	-	-	-	-	-	-	0.5000	Infinite		

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED RATES						STAFF RECOMMENDED RATES					
		TIER ONE		TIER TWO		TIER THREE		TIER ONE		TIER TWO		TIER THREE	
		COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT
32	Residential 5/8"	$ 0.9980	4,000	$ 1.7110	10,000	$ 2.5670	Infinite	$ 1.2000	4,000	$ 1.7850	13,000	$ 2.1590	Infinite
33	Residential 3/4"	0.9980	4,000	1.7110	10,000	2.5670	Infinite	1.2000	4,000	1.7850	13,000	2.1590	Infinite
34	Residential 1"	0.9980	4,000	1.7110	10,000	2.5670	Infinite	1.7850	40,000	2.1590	Infinite		
35	Residential 1.5"	0.9980	4,000	1.7110	10,000	2.5670	Infinite	1.7850	100,000	2.1590	Infinite		
36	Residential 2"	0.9980	4,000	1.7110	10,000	2.5670	Infinite	1.7850	150,000	2.1590	Infinite		
37	Residential 3"	0.9980	4,000	1.7110	10,000	2.5670	Infinite	1.7850	300,000	2.1590	Infinite		
38	Residential 4"	0.9980	4,000	1.7110	10,000	2.5670	Infinite	1.7850	400,000	2.1590	Infinite		
39	Residential 6"	0.9980	4,000	1.7110	10,000	2.5670	Infinite	1.7850	825,000	2.1590	Infinite		
40	Residential 8"	0.9980	4,000	1.7110	10,000	2.5670	Infinite	1.7850	1,650,000	2.1590	Infinite		
41	Commerical 5/8"	1.7110	16,000	2.5670	Infinite			1.7850	13,000	2.1590	Infinite		
42	Commerical 3/4"	1.7110	175,000	2.5670	Infinite			1.7850	13,000	2.1590	Infinite		
43	Commerical 1"	1.7110	35,000	2.5670	Infinite			1.7850	40,000	2.1590	Infinite		
44	Commerical 1.5"	1.7110	87,000	2.5670	Infinite			1.7850	100,000	2.1590	Infinite		
45	Commerical 2"	1.7110	207,000	2.5670	Infinite			1.7850	150,000	2.1590	Infinite		
46	Commerical 3"	1.7110	565,000	2.5670	Infinite			1.7850	300,000	2.1590	Infinite		
47	Commerical 4"	1.7110	882,813	2.5670	Infinite			1.7850	400,000	2.1590	Infinite		
48	Commerical 6"	1.7110	1,857,000	2.5670	Infinite			1.7850	825,000	2.1590	Infinite		
49	Commerical 8"	1.7110	2,971,200	2.5670	Infinite			1.7850	1,650,000	2.1590	Infinite		
50	Pub. Interrupt 2"	1.0000	Infinite					1.0000	Infinite				
51	Pub. Interrupt 3"	1.0000	Infinite					1.0000	Infinite				
52	Pub. Interrupt 6"	1.0000	Infinite					1.0000	Infinite				
53	Pub. Interrupt 8"	1.0000	Infinite					1.0000	Infinite				
54	Pub. Interrupt 10"	1.0000	Infinite					1.0000	Infinite				
55	Prison 4"	2.1420	Infinite					1.7400	Infinite				
56	PF 4"	1.8000	Infinite					1.2000	Infinite				
57	PF 6"	1.8000	Infinite					1.2000	Infinite				
58	PF 8"	1.8000	Infinite					1.2000	Infinite				
59	PF 10"	1.8000	Infinite					1.2000	Infinite				
60	PF 12"	1.8000	Infinite					1.2000	Infinite				
61	Construction	1.0000	Infinite					1.0000	Infinite				
62	Construction/Untreated CAP	Cancelled						Cancelled					

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE AND COSTS

LINE NO.	CUSTOMER CLASS	CURRENT AVERAGE USAGE	CURRENT AVERAGE DOLLARS	CURRENT MEDIAN USAGE	CURRENT MEDIAN DOLLARS
1	Residential 5/8"	7,002	$ 22.46	5,000	$ 18.90
2	Residential 3/4"	10,027	33.78	8,000	29.24
3	Residential 1"	17,634	60.82	12,000	48.20
4	Residential 1.5"	102,940	279.90	26,000	107.56
5	Residential 2"	175,037	468.40	66,500	225.28
6	Residential 3"	15,667	186.41	12,000	178.20
7	Residential 4"	N/A			
8	Residential 6"	N/A			
9	Residential 8"	N/A			
10	Commerical 5/8"	4,561	18.12	-	10.00
11	Commerical 3/4"	14,989	44.90	2,000	18.56
12	Commerical 1"	22,823	72.44	9,000	41.48
13	Commerical 1.5"	89,393	249.56	62,000	188.20
14	Commerical 2"	125,151	356.66	34,000	152.48
15	Commerical 3"	188,454	573.46	18,000	191.64
16	Commerical 4"	N/A			
17	Commerical 6"	1,816,455	4,465.18	1,763,000	4,345.44
18	Commerical 8"	N/A			
19	Pub. Interrupt 2"	N/A			
20	Pub. Interrupt 3"	1,612,667	1,612.67	2,468,500	2,468.50
21	Pub. Interrupt 6"	8,319,765	8,319.76	7,000	7.00
22	Pub. Interrupt 8"	1,995,250	1,995.25	157,500	157.50
23	Pub. Interrupt 10"	755,400	755.40	711,000	711.00
24	Prison 4"	10,170,500	20,744.41	10,072,500	20,546.45
25	PF 4"	-	30.00	-	30.00
26	PF 6"	-	45.00	-	45.00
27	PF 8"	-	60.00	-	60.00
28	PF 10"	N/A			
29	PF 12"	N/A			
30	Construction				
31	Construction/Untreated CAP				

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED AVERAGE	INCREASE	PERCENT	MEDIAN	INCREASE	PERCENT
32	Residential 5/8"	$ 22.89	$ 0.43	1.91%	$ 19.46	$ 0.56	2.98%
33	Residential 3/4"	32.27	(1.51)	-4.48%	28.78	(0.46)	-1.59%
34	Residential 1"	60.15	(0.67)	-1.09%	45.69	(2.51)	-5.20%
35	Residential 1.5"	300.03	20.13	7.19%	102.53	(5.03)	-4.68%
36	Residential 2"	510.20	41.80	8.92%	231.58	6.30	2.80%
37	Residential 3"	159.63	(26.78)	-14.37%	150.21	(27.99)	-15.71%
38	Residential 4"	N/A					
39	Residential 6"	N/A					
40	Residential 8"	N/A					
41	Commerical 5/8"	21.56	3.44	19.01%	13.76	3.76	37.60%
42	Commerical 3/4"	43.59	(1.31)	-2.93%	21.36	2.80	15.10%
43	Commerical 1"	65.35	(7.09)	-9.79%	41.70	0.22	0.53%
44	Commerical 1.5"	202.20	(47.36)	-18.98%	153.28	(34.92)	-18.55%
45	Commerical 2"	286.42	(70.24)	-19.69%	130.46	(22.02)	-14.44%
46	Commerical 3"	453.26	(120.20)	-20.96%	161.62	(30.02)	-15.67%
47	Commerical 4"	N/A					
48	Commerical 6"	3,531.42	(933.76)	-20.91%	3,439.96	(905.48)	-20.84%
49	Commerical 8"	N/A					
50	Pub. Interrupt 2"	-	-	0.00%	-	-	0.00%
51	Pub. Interrupt 3"	1,612.67	-	0.00%	2,468.50	-	0.00%
52	Pub. Interrupt 6"	8,319.76	-	0.00%	7.00	-	0.00%
53	Pub. Interrupt 8"	1,995.25	-	0.00%	157.50	-	0.00%
54	Pub. Interrupt 10"	755.40	-	0.00%	711.00	-	0.00%
55	Prison 4"	21,985.21	1,240.80	5.98%	21,775.30	1,228.85	5.98%
56	PF 4"	30.30	0.30	1.00%	30.30	0.30	1.00%
57	PF 6"	45.45	0.45	1.00%	45.45	0.45	1.00%
58	PF 8"	60.60	0.60	1.00%	60.60	0.60	1.00%
59	PF 10"	N/A					
60	PF 12"	N/A					
61	Construction						
62	Construction/Untreated CAP						

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE AND COSTS

LINE NO.	CUSTOMER CLASS	STAFF RECOMMENDED					
		AVERAGE	INCREASE	PERCENT	MEDIAN	INCREASE	PERCENT
63	Residential 5/8"	$ 18.76	$ (3.70)	-16.48%	$ 15.18	$ (3.72)	-19.66%
64	Residential 3/4"	24.16	(9.62)	-28.48%	20.54	(8.70)	-29.75%
65	Residential 1"	53.48	(7.34)	-12.07%	43.42	(4.78)	-9.92%
66	Residential 1.5"	230.85	(49.05)	-17.53%	92.41	(15.15)	-14.09%
67	Residential 2"	390.80	(77.60)	-16.57%	187.70	(37.58)	-16.68%
68	Residential 3"	162.97	(23.44)	-12.58%	156.42	(21.78)	-12.22%
69	Residential 4"	N/A					
70	Residential 6"	N/A					
71	Residential 8"	N/A					
72	Commerical 5/8"	16.74	(1.38)	-7.61%	8.60	(1.40)	-14.00%
73	Commerical 3/4"	36.10	(8.80)	-19.60%	12.17	(6.39)	-34.43%
74	Commerical 1"	62.74	(9.70)	-13.39%	38.07	(3.42)	-8.23%
75	Commerical 1.5"	205.57	(43.99)	-17.63%	156.67	(31.53)	-16.75%
76	Commerical 2"	292.39	(64.27)	-18.02%	129.69	(22.79)	-14.95%
77	Commerical 3"	471.39	(102.07)	-17.80%	167.13	(24.51)	-12.79%
78	Commerical 4"	N/A					
79	Commerical 6"	3,963.18	(502.00)	-11.24%	3,847.77	(497.67)	-11.45%
80	Commerical 8"	N/A					
81	Pub. Interrupt 2"	N/A					
82	Pub. Interrupt 3"	1,612.67	(0.00)	0.00%	2,468.50	-	0.00%
83	Pub. Interrupt 6"	8,319.76	-	0.00%	7.00	-	0.00%
84	Pub. Interrupt 8"	1,995.25	-	0.00%	157.50	-	0.00%
85	Pub. Interrupt 10"	755.40	-	0.00%	711.00	-	0.00%
86	Prison 4"	17,668.67	(3,075.74)	-14.83%	17,496.67	(3,049.78)	-14.84%
87	PF 4"	25.80	(4.20)	-14.00%	25.80	(4.20)	-14.00%
88	PF 6"	38.69	(6.31)	-14.02%	38.69	(6.31)	-14.02%
89	PF 8"	51.59	(8.41)	-14.02%	51.59	(8.41)	-14.02%
90	PF 10"	N/A					
91	PF 12"	N/A					
92	Construction						
93	Construction/Untreated CAP	Cancelled					

ARIZONA-AMERICAN WATER COMPANY, INC. - ANTHEM WATER: RATE DESIGN REVISED 2/17/2004
Docket No. WS-01303A-02-0867 et al.
Test Year Ended December 31, 2001

Anthem Schedule DRR-1
Revised 2/17/2004

Description	Present Revenue	Staff Recommended	Difference	Percentage
Residential 5/8"	3,606	2,430	(1,176)	-32.62%
Residential 3/4"	687,890	453,382	(234,508)	-34.09%
Residential 1"	748,944	465,204	(283,740)	-37.89%
Residential 1.5"	2,834	2,028	(806)	-28.43%
Residential 2"	61,222	46,471	(14,751)	-24.09%
Commerical 3/4"	3,706	2,686	(1,020)	-27.53%
Commerical 1"	53,466	42,900	(10,566)	-19.76%
Commerical 1.5"	32,335	24,309	(8,026)	-24.82%
Commerical 2"	114,250	85,678	(28,572)	-25.01%
Commerical 3"	39,029	32,077	(6,952)	-17.81%
Irrigation 1.5"	4,526	4,521	(5)	-0.11%
Irrigation 2"	54,510	54,500	(10)	-0.02%
Irrigation 3"	29,725	29,730	5	0.02%
Irrigation 4"	54,952	54,962	10	0.02%
Irrigation 8"	64,871	64,899	28	0.04%
Pub. Interrupt 2"	-	-	-	
Pub. Interrupt 3"	57,190	56,644	(546)	-0.95%
Pub. Interrupt 6"	61	56	(5)	-7.93%
Pub. Interrupt 10"	20,135	20,233	98	0.49%
PF 4"	3,330	2,363	(967)	-29.04%
PF 6"	19,440	13,794	(5,646)	-29.04%
Total Revenues	2,056,022	1,458,866	(597,156)	-29.04%
Miscellaneous Revenues	1,950,387			
Total	4,006,409			
Schedule All-1 Revenue Requirement		1,458,804		
Bill Count Over/(Short) Revenue Requirements		$ 62		
Percent		0.0043%		

MINIMUM MONTHLY CHARGES AND COMMODITY RATES

LINE NO.	CUSTOMER CLASS	PRESENT MINIMUM CHARGE	PRESENT GALLONS INCLUDED	COMPANY PROPOSED MINIMUM CHARGE	COMPANY PROPOSED GALLONS INCLUDED	STAFF RECOMMENDED MINIMUM CHARGE	STAFF RECOMMENDED GALLONS INCLUDED	PRESENT RATES TIER ONE COMMODITY RATE	PRESENT RATES TIER ONE UPPER LIMIT	PRESENT RATES TIER TWO COMMODITY RATE	PRESENT RATES TIER TWO UPPER LIMIT
1	Residential 5/8"	$ 16.00	-	$ 16.13	-	$ 11.35	-	$ 2.00	Infinite		
2	Residential 3/4"	16.00	-	24.20	-	11.35	-	2.00	Infinite		
3	Residential 1"	32.00	-	40.33	-	20.00	-	2.00	Infinite		
4	Residential 1.5"	64.00	-	80.67	-	46.00	-	2.00	Infinite		
5	Residential 2"	80.00	-	129.06	-	60.00	-	2.00	Infinite		
6	Residential 3"	160.00		258.13		115.00	-	2.00	Infinite		
7	Residential 4"	200.00		403.33		145.00	-	2.00	Infinite		
8	Residential 6"	250.00		806.66		180.00	-	2.00	Infinite		
9	Residential 8"			1,290.66		400.00	-	2.00	Infinite		
10	Commercial 5/8"	16.00		16.13		11.35	-	2.00	Infinite		
11	Commerical 3/4"	16.00	-	24.20	-	11.35	-	2.00	Infinite		
12	Commerical 1"	32.00	-	40.33	-	23.00	-	2.00	Infinite		
13	Commerical 1.5"	64.00	-	80.67	-	46.00	-	2.00	Infinite		
14	Commerical 2"	80.00	-	129.06	-	60.00	-	2.00	Infinite		
15	Commerical 3"	160.00	-	258.13	-	115.00	-	2.00	Infinite		
16	Commerical 4"	200.00	-	403.33	-	145.00	-	2.00	Infinite		
17	Commerical 6"	250.00	-	806.66	-	180.00	-	2.00	Infinite		
18	Commerical 8"	-	-	1,290.66	-	400.00	-	2.00	Infinite		
19	Irrigation 1.5"	-	-	-	-	-	-	0.62	Infinite		
20	Irrigation 2"	-	-	-	-	-	-	0.62	Infinite		
21	Irrigation 3"	-	-	-	-	-	-	0.62	Infinite		
22	Irrigation 4"	-	-	-	-	-	-	0.62	Infinite		
23	Irrigation 8"	-	-	-	-	-	-	0.62	Infinite		
24	Pub. Interrupt 2"	-	-	-	-	-	-	2.16	Infinite		
25	Pub. Interrupt 3"	-	-	-	-	-	-	2.16	Infinite		
26	Pub. Interrupt 6"	-	-	-	-	-	-	2.16	Infinite		
27	Pub. Interrupt 10"	-	-	-	-	-	-	2.16	Infinite		
28	PF 3"	70.00	-	69.80	-	49.67	-	Flat Rates	Infinite		
29	PF 4"	90.00	-	89.75	-	63.86	-	Flat Rates	Infinite		
30	PF 6"	135.00	-	134.00	-	95.79	-	Flat Rates	Infinite		
31	PF 8"	180.00	-	178.59	-	127.72	-	Flat Rates	Infinite		
32	PF 10"	360.00	-	357.50	-	255.45	-	Flat Rates	Infinite		

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED RATES TIER ONE COMMODITY RATE	COMPANY PROPOSED RATES TIER ONE UPPER LIMIT	COMPANY PROPOSED RATES TIER TWO COMMODITY RATE	COMPANY PROPOSED RATES TIER TWO UPPER LIMIT	COMPANY PROPOSED RATES TIER THREE COMMODITY RATE	COMPANY PROPOSED RATES TIER THREE UPPER LIMIT	STAFF RECOMMENDED RATES TIER ONE COMMODITY RATE	STAFF RECOMMENDED RATES TIER ONE UPPER LIMIT	STAFF RECOMMENDED RATES TIER TWO COMMODITY RATE	STAFF RECOMMENDED RATES TIER TWO UPPER LIMIT	STAFF RECOMMENDED RATES TIER THREE COMMODITY RATE	STAFF RECOMMENDED RATES TIER THREE UPPER LIMIT
33	Residential 5/8"	$ 0.6560	4,000	$ 1.1250	10,000	$ 1.6880	Infinite	$ 0.9200	4,000	$ 1.4050	18,000	$ 1.6450	Infinite
34	Residential 3/4"	0.6560	4,000	1.1250	10,000	1.6880	Infinite	0.9200	4,000	1.4050	18,000	1.6450	Infinite
35	Residential 1"	0.6560	4,000	1.1250	10,000	1.6880	Infinite	0.9200	4,000	1.4050	50,000	1.6450	Infinite
36	Residential 1.5"	0.6560	4,000	1.1250	10,000	1.6880	Infinite	1.4050	135,000	1.6450	Infinite		
37	Residential 2"	0.6560	4,000	1.1250	10,000	1.6880	Infinite	1.4050	185,000	1.6450	Infinite		
38	Residential 3"	0.6560	4,000	1.1250	10,000	1.6880	Infinite	1.4050	400,000	1.6450	Infinite		
39	Residential 4"	0.6560	4,000	1.1250	10,000	1.6880	Infinite	1.4050	500,000	1.6450	Infinite		
40	Residential 6"	0.6560	4,000	1.1250	10,000	1.6880	Infinite	1.4050	600,000	1.6450	Infinite		
41	Residential 8"	0.6560	4,000	1.1250	10,000	1.6880	Infinite	1.4050	1,400,000	1.6450	Infinite		
42	Commercial 5/8"	1.1250	-	1.6880	Infinite			1.4050	18,000	1.6450	Infinite		
43	Commerical 3/4"	1.1250	22,000	1.6880	Infinite			1.4050	18,000	1.6450	Infinite		
44	Commerical 1"	1.1250	5,332,500	1.6880	Infinite			1.4050	50,000	1.6450	Infinite		
45	Commerical 1.5"	1.1250	235,000	1.6880	Infinite			1.4050	135,000	1.6450	Infinite		
46	Commerical 2"	1.1250	221,000	1.6880	Infinite			1.4050	185,000	1.6450	Infinite		
47	Commerical 3"	1.1250	4,892,500	1.6880	Infinite			1.4050	400,000	1.6450	Infinite		
48	Commerical 4"	1.1250	7,644,531	1.6880	Infinite			1.4050	500,000	1.6450	Infinite		
49	Commerical 6"	1.1250	15,289,063	1.6880	Infinite			1.4050	600,000	1.6450	Infinite		
50	Commerical 8"	1.1250	24,462,500	1.6880	Infinite			1.4050	1,400,000	1.6450	Infinite		
51	Irrigation 1.5"	0.6200	Infinite					0.6200	Infinite				
52	Irrigation 2"	0.6200	Infinite					0.6200	Infinite				
53	Irrigation 3"	0.6200	Infinite					0.6200	Infinite				
54	Irrigation 4"	0.6200	Infinite					0.6200	Infinite				
55	Irrigation 8"	0.6200	Infinite					0.6200	Infinite				
56	Pub. Interrupt 2"	2.1600	Infinite					2.1600	Infinite				
57	Pub. Interrupt 3"	2.1600	Infinite					2.1600	Infinite				
58	Pub. Interrupt 6"	2.1600	Infinite					2.1600	Infinite				
59	Pub. Interrupt 10"	2.1600	Infinite					2.1600	Infinite				
60	PF 3"	Flat Rates	Infinite					Flat Rates	Infinite				
61	PF 4"	Flat Rates	Infinite					Flat Rates	Infinite				
62	PF 6"	Flat Rates	Infinite					Flat Rates	Infinite				
63	PF 8"	Flat Rates	Infinite					Flat Rates	Infinite				
64	PF 10"	Flat Rates	Infinite					Flat Rates	Infinite				

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE AND COSTS

LINE NO.	CUSTOMER CLASS	CURRENT AVERAGE USAGE	CURRENT AVERAGE DOLLARS	CURRENT MEDIAN USAGE	CURRENT MEDIAN DOLLARS
1	Residential 5/8"	10,212	$ 36.42	7,000	$ 30.00
2	Residential 3/4"	7,753	31.51	7,000	30.00
3	Residential 1"	8,719	49.44	7,000	46.00
4	Residential 1.5"	7,361	78.72	5,000	74.00
5	Residential 2"	168,705	417.41	83,000	246.00
6	Commerical 3/4"	3,727	23.45	-	16.00
7	Commerical 1"	107,951	247.90	-	32.00
8	Commerical 1.5"	263,879	591.76	170,000	404.00
9	Commerical 2"	130,084	340.17	50,000	180.00
10	Commerical 3"	201,964	563.93	-	160.00
11	Commerical 4"	N/A			
12	Commerical 6"	N/A			
13	Commerical 8"	N/A			
14	Irrigation 1.5"		167.45		
15	Irrigation 2"		134.90		
16	Irrigation 3"		849.44		
17	Irrigation 4"		1,145.04		
18	Irrigation 8"		2,595.94		
19	Pub. Interrupt 2"	-	-	-	-
20	Pub. Interrupt 3"	1,103,200	2,382.91	-	-
21	Pub. Interrupt 6"	2,364	5.11	1,000	2.16
22	Pub. Interrupt 10"	776,818	1,677.93	822,000	1,775.52
23	PF 3"	N/A			
24	PF 4"	-	*90.00*	-	*90.00*
25	PF 6"	-	135.00	-	135.00
26	PF 8"	N/A			
27	PF 10"	N/A			
28	Intentionally left blank				

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED AVERAGE	INCREASE	PERCENT	COMPANY PROPOSED MEDIAN	INCREASE	PERCENT
29	Residential 5/8"	$ 25.86	$ (10.56)	-28.99%	$ 22.13	$ (7.87)	-26.24%
30	Residential 3/4"	31.05	(0.46)	-1.47%	30.20	0.20	0.66%
31	Residential 1"	48.26	(1.18)	-2.38%	46.33	0.33	0.72%
32	Residential 1.5"	87.08	8.36	10.61%	84.42	10.42	14.08%
33	Residential 2"	406.33	(11.08)	-2.65%	261.66	15.66	6.37%
34	Commerical 3/4"	28.39	4.94	21.08%	24.20	8.20	51.25%
35	Commerical 1"	161.77	(86.13)	-34.74%	40.33	8.33	26.03%
36	Commerical 1.5"	393.79	(197.97)	-33.45%	271.92	(132.08)	-32.69%
37	Commerical 2"	275.40	(64.77)	-19.04%	185.31	5.31	2.95%
38	Commerical 3"	485.34	(78.59)	-13.94%	258.13	98.13	61.33%
39	Commerical 4"	N/A					
40	Commerical 6"	N/A					
41	Commerical 8"	N/A					
42	Irrigation 1.5"	167.45	-	0.00%	-	-	0.00%
43	Irrigation 2"	134.90	-	0.00%	-	-	0.00%
44	Irrigation 3"	849.44	-	0.00%	-	-	0.00%
45	Irrigation 4"	1,145.04	-	0.00%	-	-	0.00%
46	Irrigation 8"	2,595.94	-	0.00%	-	-	0.00%
47	Pub. Interrupt 2"	-	-	0.00%	-	-	0.00%
48	Pub. Interrupt 3"	2,382.91	-	0.00%	-	-	0.00%
49	Pub. Interrupt 6"	5.11	-	0.00%	2.16	-	0.00%
50	Pub. Interrupt 10"	1,677.93	-	0.00%	1,775.52	-	0.00%
51	PF 3"	N/A					
52	PF 4"	89.75	(0.25)	-0.28%	89.75	(0.25)	-0.28%
53	PF 6"	134.00	(1.00)	-0.74%	134.00	(1.00)	-0.74%
54	PF 8"	N/A					
55	PF 10"	N/A					
56	Intentionally left blank						

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE AND COSTS

LINE NO.	CUSTOMER CLASS	STAFF RECOMMENDED					
		AVERAGE	INCREASE	PERCENT	MEDIAN	INCREASE	PERCENT
57	Residential 5/8"	$ 23.76	$ (12.66)	-34.77%	$ 19.24	$ (10.76)	-35.85%
58	Residential 3/4"	20.30	(11.21)	-35.57%	19.24	(10.76)	-35.85%
59	Residential 1"	30.31	(19.13)	-38.69%	27.90	(18.11)	-39.36%
60	Residential 1.5"	56.34	(22.38)	-28.43%	53.03	(20.98)	-28.34%
61	Residential 2"	297.03	(120.38)	-28.84%	176.62	(69.39)	-28.21%
62	Commerical 3/4"	16.59	(6.86)	-29.27%	11.35	(4.65)	-29.06%
63	Commerical 1"	188.58	(59.32)	-23.93%	23.00	(9.00)	-28.13%
64	Commerical 1.5"	447.68	(144.08)	-24.35%	293.25	(110.75)	-27.41%
65	Commerical 2"	242.77	(97.40)	-28.63%	130.25	(49.75)	-27.64%
66	Commerical 3"	398.76	(165.17)	-29.29%	115.00	(45.00)	-28.13%
67	Commerical 4"	NOT USED					
68	Commerical 6"	NOT USED					
69	Commerical 8"	NOT USED					
70	Irrigation 1.5" (RWGN)	167.45	-	0.00%	-	-	0.00%
71	Irrigation 2" (RWGN)	134.90	-	0.00%	-	-	0.00%
72	Irrigation 3" (RWGN)	849.44	-	0.00%	-	-	0.00%
73	Irrigation 4" (RWCN)	1,145.04	-	0.00%	-	-	0.00%
74	Irrigation 8" (RWGN)	2,595.94	-	0.00%	-	-	0.00%
75	Pub. Interrupt 2" (DWPI)	NOT USED					
76	Pub. Interrupt 3" (DWPI)	2,382.91	-	0.00%	-	-	0.00%
77	Pub. Interrupt 6" (DWPI)	5.11	-	0.00%	2.16	-	0.00%
78	Pub. Interrupt 10" (DWPI)	1,677.93	-	0.00%	1,775.52	-	0.00%
79	PF 3" (DFL)	NOT USED					
80	PF 4" (DFL)	63.86	(26.14)	-29.04%	-	-	0.00%
81	PF 6" (DFL)	95.79	(39.21)	-29.04%	-	-	0.00%
82	PF 8" (DFL)	NOT USED					
83	PF 10" (DFL)	NOT USED					
84	Intentionally left blank						

ARIZONA-AMERICAN WATER COMPANY, INC. - HAVASU WATER: RATE DESIGN REVISED 2/17/2004
Docket No. WS-01303A-02-0867 et al.
Test Year Ended December 31, 2001

Havasu Schedule DRR-1
Revised 2/17/2004

Description	Present Revenue	Staff Recommended	Difference	%
Residential 5/8"	$ 261,628	$ 254,293	$ (7,335)	-2.80%
Residential 1"	-	-	-	0.00%
Residential 2"	152	-	(152)	-100.00%
Residential 4"	-	-	-	0.00%
Residential MF 1"	20,641	15,352	(5,289)	-25.62%
Residential MF 2"	29,997	19,650	(10,347)	-34.49%
Residential MF 4"	57,227	38,245	(18,982)	-33.17%
Commerical 5/8"	16,497	18,499	2,002	12.13%
Commerical 1"	6,466	7,317	851	13.16%
Commerical 2"	3,194	3,434	240	7.51%
Commerical 3"	25,194	30,120	4,926	19.55%
Commerical 4"	3,820	4,125	305	8.00%
	$ 424,816	$ **391,034**	$ (33,782)	-7.95%
Havasu Bill Count to G/L differences	6,311	6,311		
Miscellaneous Revenues	10,532			
Total	$ 441,659			
Schedule All-1		397,292		
Bill Count Over/(Short) Revenue Requirements		$ 53		
Percent		0.0134%		

ARIZONA-AMERICAN WATER COMPANY, INC. - HAVASU WATER: RATE DESIGN REVISED 2/17/2004
Docket No. WS-01303A-02-0867 et al.
Test Year Ended December 31, 2001

Havasu Schedule DRR-2
Revised 2/17/2004

MINIMUM MONTHLY CHARGES

LINE NO.	CUSTOMER CLASS	PRESENT		COMPANY PROPOSED		STAFF RECOMMENDED		PRESENT RATES					
								TIER ONE			TIER TWO		
		MINIMUM CHARGE	GALLONS INCLUDED	MINIMUM CHARGE	GALLONS INCLUDED	MINIMUM CHARGE	GALLONS INCLUDED	COMMODITY SUMMER	COMMODITY WINTER	UPPER LIMIT	COMMODITY SUMMER	COMMODITY WINTER	UPPER LIMIT
1	Residential 5/8"	$ 10.00	1.00	$ 14.32	-	$ 9.01	-	$ 1.42	$ 1.31	Infinite			
2	Residential 3/4"					9.01							
3	Residential 1"	17.10	1.00	26.87	-	15.50	-	1.42	1.31	Infinite			
4	Residential 1 and 1/2"	24.00	1.00	47.80	-	22.00	-	1.42	1.31	Infinite			
5	Residential 2"	33.60	1.00	72.91	-	30.50	-	1.42	1.31	Infinite			
6	Residential 3"	45.60	1.00	131.49	-	41.50	-	1.42	1.31	Infinite			
7	Residential 4"	57.60	1.00	215.19	-	52.50	-	1.42	1.31	Infinite			
8	Residential 6"	200.00	1.00	424.43	-	181.00	-	1.42	1.31	Infinite			
9	Residential 8"	400.00	1.00	730.00	-	350.00	-	1.42	1.31	Infinite			
10	Commerical 5/8"	10.00	1.00	14.32	-	9.01	-	1.42	1.31	Infinite			
11	Commerical 1"	17.10	1.00	26.87	-	15.50	-	1.42	1.31	Infinite			
12	Commerical 1 and 1/2"	24.00	1.00	47.80	-	22.00	-	1.42	1.31	Infinite			
13	Commerical 2"	33.60	1.00	72.91	-	30.50	-	1.42	1.31	Infinite			
14	Commerical 3"	45.60	1.00	131.49	-	41.50	-	1.42	1.31	Infinite			
15	Commerical 4"	57.60	1.00	215.19	-	52.50	-	1.42	1.31	Infinite			
16	Commerical 6"	200.00	1.00	424.43	-	181.00	-	1.42	1.31	Infinite			
17	Commerical 8"	400.00	1.00	730.00	-	350.00	-	1.42	1.31	Infinite			
18	Multi-family 044 1"	440.00	44.00	630.08	44.00	198.22	-	1.42	1.31	Infinite			
19	Multi-family 056 2"	560.00	56.00	801.92	56.00	252.28	-	1.42	1.31	Infinite			
20	Multi-family 064 4"	640.00	64.00	916.48	64.00	288.32	-	1.42	1.31	Infinite			
21	Multi-family 065 2"	650.00	65.00	930.80	65.00	292.83	-	1.42	1.31	Infinite			
22	Multi-family 067 4"	670.00	67.00	959.44	67.00	301.84	-	1.42	1.31	Infinite			
23	Multi-family 089 1"	890.00	89.00	1,274.48	89.00	400.95	-	1.42	1.31	Infinite			
24	Multi-family 102 2"	1,020.00	102.00	1,460.64	102.00	459.51	-	1.42	1.31	Infinite			
25	Multi-family 129 4"	1,290.00	129.00	1,847.28	129.00	581.15	-	1.42	1.31	Infinite			
26	Multi-family 153 4"	1,530.00	153.00	2,190.96	153.00	689.27	-	1.42	1.31	Infinite			
27	*Intentionally left blank*												

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED RATES						STAFF RECOMMENDED RATES					
		TIER ONE		TIER TWO		TIER THREE		TIER ONE		TIER TWO		TIER THREE	
		COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT
28	Residential 5/8"	$ 0.8350	3,000	$ 1.4320	10,000	$ 2.1480	Infinite	$ 0.9300	4,000	$ 1.4150	13,000	$ 1.6710	Infinite
29	Residential 3/4"							0.9300	4,000	1.4150	13,000	1.67	Infinite
30	Residential 1"	0.8350	3,000	1.4320	10,000	2.1480	Infinite	1.4150	30,000	1.6710	Infinite		
31	Residential 1 and 1/2"	0.8350	3,000	1.4320	10,000	2.1480	Infinite	1.4150	50,000	1.6710	Infinite		
32	Residential 2"	0.8350	3,000	1.4320	10,000	2.1480	Infinite	1.4150	75,000	1.6710	Infinite		
33	Residential 3"	0.8350	3,000	1.4320	10,000	2.1480	Infinite	1.4150	100,000	1.6710	Infinite		
34	Residential 4"	0.8350	3,000	1.4320	10,000	2.1480	Infinite	1.4150	135,000	1.6710	Infinite		
35	Residential 6"	0.8350	3,000	1.4320	10,000	2.1480	Infinite	1.4150	600,000	1.6710	Infinite		
36	Residential 8"	0.8350	3,000	1.4320	10,000	2.1480	Infinite	1.4150	1,250,000	1.6710	Infinite		
37	Commerical 5/8"	1.4320	32,000	2.1480	Infinite			1.4150	13,000	1.6710	Infinite		
38	Commercial 3/4"							1.4150	13,000	1.6710	Infinite		
39	Commerical 1"	1.4320	63,000	2.1480	Infinite			1.4150	30,000	1.6710	Infinite		
40	Commerical 1 ans 1/2"	1.4320	126,000	2.1480	Infinite			1.4150	50,000	1.6710	Infinite		
41	Commerical 2"	1.4320	55,000	2.1480	Infinite			1.4150	75,000	1.6710	Infinite		
42	Commerical 3"	1.4320	1,534,500	2.1480	Infinite			1.4150	100,000	1.6710	Infinite		
43	Commerical 4"	1.4320	128,000	2.1480	Infinite			1.4150	135,000	1.6710	Infinite		
44	Commerical 6"	1.4320	4,795,313	2.1480	Infinite			1.4150	600,000	1.6710	Infinite		
45	Commerical 8"	1.4320	7,672,500	2.1480	Infinite			1.4150	1,250,000	1.6710	Infinite		
46	Multi-family 044 1"	0.8350	132,000	1.4320	440,000	2.1480	Infinite	1.4150	30,000	1.6710	Infinite		
47	Multi-family 056 2"	0.8350	168,000	1.4320	560,000	2.1480	Infinite	1.4150	75,000	1.6710	Infinite		
48	Multi-family 064 4"	0.8350	192,000	1.4320	640,000	2.1480	Infinite	1.4150	135,000	1.6710	Infinite		
49	Multi-family 065 2"	0.8350	195,000	1.4320	650,000	2.1480	Infinite	1.4150	75,000	1.6710	Infinite		
50	Multi-family 067 4"	0.8350	201,000	1.4320	670,000	2.1480	Infinite	1.4150	135,000	1.6710	Infinite		
51	Multi-family 089 1"	0.8350	267,000	1.4320	890,000	2.1480	Infinite	1.4150	30,000	1.6710	Infinite		
52	Multi-family 102 2"	0.8350	306,000	1.4320	1,020,000	2.1480	Infinite	1.4150	75,000	1.6710	Infinite		
53	Multi-family 129 4"	0.8350	387,000	1.4320	1,290,000	2.1480	Infinite	1.4150	135,000	1.6710	Infinite		
54	Multi-family 153 4"	0.8350	459,000	1.4320	1,530,000	2.1480	Infinite	1.4150	135,000	1.6710	Infinite		
55	Intentionally left blank												

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN COST COMPARISONS

LINE NO.	CUSTOMER CLASS	CURRENT SUMMER AVERAGE USAGE	CURRENT SUMMER AVERAGE DOLLARS	CURRENT SUMMER MEDIAN USAGE	CURRENT SUMMER MEDIAN DOLLARS	CURRENT WINTER AVERAGE USAGE	CURRENT WINTER AVERAGE DOLLARS	CURRENT WINTER MEDIAN USAGE	CURRENT WINTER MEDIAN DOLLARS
1	Residential 5/8"	7,659	$ 19.46	5,000	$ 15.68	7,659	$ 18.72	5,000	$ 15.24
2	Residential 1"	569,250	824.02	516,500	749.11	569,250	761.51	516,500	692.41
3	Residential 1and 1/2"	NOT USED							
4	Residential 2"	166,833	269.08	154,500	251.57	166,833	250.84	154,500	234.69
5	Residential 3"	NOT USED							
6	Residential 4"	291,500	470.11	331,000	526.20	291,500	438.16	331,000	489.90
7	Residential 6"	NOT USED							
8	Residential 8"	NOT USED							
9	Commerical 5/8"	22,384	40.37	9,000	21.36	22,384	38.01	9,000	20.48
10	Commerical 1"	68,625	113.13	57,000	96.62	68,625	105.69	57,000	90.46
11	Commerical 1 and 1/2"	NOT USED							
12	Commerical 2"	76,793	141.23	57,500	113.83	76,793	132.89	57,500	107.62
13	Commerical 3"	489,810	739.71	-	45.60	489,810	685.94	-	45.60
14	Commerical 4"	192,833	330.00	125,000	233.68	192,833	308.90	125,000	220.04
15	Commerical 6"	NOT USED							
16	Commerical 8"	NOT USED							
17	Multi-family 044 1"	160,250	605.08	154,000	596.20	160,250	592.29	154,000	584.10
18	Multi-family 056 2"	117,917	647.92	117,000	646.62	117,917	641.11	117,000	639.91
19	Multi-family 064 4"	208,583	845.31	183,500	809.69	208,583	829.40	183,500	796.55
20	Multi-family 065 2"	161,083	786.44	135,000	749.40	161,083	775.87	135,000	741.70
21	Multi-family 067 4"	305,250	1,008.32	345,000	1,064.76	305,250	982.11	345,000	1,034.18
22	Multi-family 089 1"	256,000	1,127.14	241,500	1,106.55	256,000	1,108.77	241,500	1,089.78
23	Multi-family 102 2"	134,167	1,065.68	131,000	1,061.18	134,167	1,062.14	131,000	1,057.99
24	Multi-family 129 4"	170,500	1,348.93	182,500	1,365.97	170,500	1,344.37	182,500	1,360.09
25	Multi-family 153 4"	192,500	1,585.38	192,000	1,585.38	192,000	1,581.09	192,000	1,581.09
26	Intentionally left blank								

LINE NO.	CUSTOMER CLASS	COMPANY RECOMMENDED AVERAGE AVERAGE	AVERAGE CHANGE	AVERAGE PERCENT	MEDIAN MEDIAN	MEDIAN DOLLARS	MEDIAN PERCENT
27	Residential 5/8"	$ 23.50	$ 4.04	20.74%	$ 19.69	$ 4.01	25.57%
28	Residential 1"	1,240.67	416.65	50.56%	1,127.36	378.25	50.49%
29	Residential 1and 1/2"	NOT USED					
30	Residential 2"	422.32	153.24	56.95%	395.83	144.26	57.34%
31	Residential 3"	NOT USED					
32	Residential 4"	832.38	362.27	77.06%	917.23	391.03	74.31%
33	Residential 6"	NOT USED					
34	Residential 8"	NOT USED					
35	Commerical 5/8"	46.37	6.00	14.87%	27.21	5.85	27.38%
36	Commerical 1"	129.17	16.04	14.18%	108.49	11.87	12.29%
37	Commerical 1 and 1/2"	NOT USED					
38	Commerical 2"	198.48	57.25	40.54%	157.04	43.21	37.96%
39	Commerical 3"	832.90	93.19	12.60%	131.49	85.89	188.36%
40	Commerical 4"	537.75	207.75	62.95%	394.19	160.51	68.69%
41	Commerical 6"	NOT USED					
42	Commerical 8"	NOT USED					
43	Multi-family 044 1"	744.01	138.93	22.96%	735.06	138.86	23.29%
44	Multi-family 056 2"	853.62	205.70	31.75%	852.86	206.24	31.89%
45	Multi-family 064 4"	1,047.11	201.80	23.87%	1,016.26	206.57	25.51%
46	Multi-family 065 2"	1,011.03	224.59	28.56%	989.25	239.85	32.01%
47	Multi-family 067 4"	1,220.62	212.30	21.05%	1,277.54	212.78	19.98%
48	Multi-family 089 1"	1,413.93	286.79	25.44%	1,401.82	295.27	26.68%
49	Multi-family 102 2"	1,487.50	421.82	39.58%	1,484.86	423.68	39.92%
50	Multi-family 129 4"	1,881.93	533.00	39.51%	1,891.95	525.98	38.51%
51	Multi-family 153 4"	2,223.94	638.56	40.28%	2,223.53	638.15	40.25%
52	Intentionally left blank						

LINE NO.	CUSTOMER CLASS	STAFF RECOMMENDED AVERAGE AVERAGE	AVERAGE CHANGE	AVERAGE PERCENT	MEDIAN MEDIAN	MEDIAN INCREASE	MEDIAN PERCENT
53	Residential 5/8"	$ 17.91	$ (1.55)	-7.98%	$ 14.15	$ (1.53)	-9.79%
54	Residential 1"	959.04	135.02	16.39%	870.89	121.78	16.26%
55	Residential 1and 1/2"	NOT USED					
56	Residential 2"	290.08	21.00	7.80%	269.47	17.90	7.12%
57	Residential 3"	NOT USED					
58	Residential 4"	505.04	34.93	7.43%	571.04	44.84	8.52%
59	Residential 6"	NOT USED					
60	Residential 8"	NOT USED					
61	Commerical 5/8"	43.09	2.72	6.73%	21.75	0.39	1.80%
62	Commerical 1"	122.49	9.36	8.28%	103.07	6.45	6.67%
63	Commerical 1 and 1/2"	NOT USED					
64	Commerical 2"	139.62	(1.61)	-1.14%	111.86	(1.97)	-1.73%
65	Commerical 3"	834.37	94.66	12.80%	41.50	(4.10)	-8.99%
66	Commerical 4"	340.16	10.16	3.08%	229.38	(4.31)	-1.84%
67	Commerical 6"	NOT USED					
68	Commerical 8"	NOT USED					
69	Multi-family 044 1"	458.32	(146.76)	-24.26%	447.87	(148.33)	-24.88%
70	Multi-family 056 2"	430.12	(217.80)	-33.62%	428.59	(218.03)	-33.72%
71	Multi-family 064 4"	602.30	(243.01)	-28.75%	560.39	(249.30)	-30.79%
72	Multi-family 065 2"	542.80	(243.64)	-30.98%	499.22	(250.19)	-33.38%
73	Multi-family 067 4"	777.35	(230.97)	-22.91%	843.78	(220.99)	-20.75%
74	Multi-family 089 1"	821.05	(306.09)	-27.16%	796.82	(309.73)	-27.99%
75	Multi-family 102 2"	664.50	(401.18)	-37.65%	659.21	(401.97)	-37.88%
76	Multi-family 129 4"	831.50	(517.43)	-38.36%	851.55	(514.42)	-37.66%
77	Multi-family 153 4"	976.38	(609.00)	-38.41%	975.54	(609.84)	-38.47%
78	Intentionally left blank						

ARIZONA-AMERICAN WATER COMPANY, INC. - MOHAVE WATER: RATE DESIGN REVISED 2/17/2004 — Mohave Schedule DRR-1
Docket No. WS-01303A-02-0867 et al. — Revised 2/17/2004
Test Year Ended December 31, 2001

Description	Present Revenue	Staff Recommended	Difference	Percentage
Residential 5/8"	$ 2,698,132	$ 2,271,262	$ (426,870)	-15.82%
Residential 3/4"				
Residential 1"	16,699	15,004	(1,695)	-10.15%
Residential 1.5"	-			
Residential 2"	13,256	11,809	(1,447)	-10.91%
Residential 3"				
Residential 4"				
Residential 6"				
Residential 8"				
Residential MF 5/8	92,538	64,081	(28,457)	-30.75%
Residential MF 1"	44,945	31,968	(12,977)	-28.87%
Residential MF 1.5"	15,946	9,800	(6,146)	-38.55%
Residential MF 2"	234,403	161,168	(73,235)	-31.24%
Residential MF 4"	17,645	11,574	(6,071)	-34.41%
Residential MF 6"	152,270	99,734	(52,536)	-34.50%
Rio Res 5/8"	83,250	66,869	(16,381)	-19.68%
Rio Res 1"	313	203	(110)	-35.23%
Rio Res 2"	286	276	(10)	-3.52%
Commerical 5/8"	127,514	118,504	(9,010)	-7.07%
Commerical 3/4"				
Commerical 1"	93,752	85,423	(8,329)	-8.88%
Commerical 1.5"	28,828	26,434	(2,394)	-8.30%
Commerical 2"	366,265	334,696	(31,569)	-8.62%
Commerical 3"	54,701	50,273	(4,428)	-8.09%
Commerical 4"				
Commerical 6"				
Irrigation 1"				
Irrigation 1.5"				
Irrigation 2"				
Irrigation 3"				
Irrigation 4"				
Irrigation 6"				
Irrigation 8"				
Comm MU 5/8"	20,393	15,586	(4,807)	-23.57%
Comm MU 1"	3,056	1,875	(1,182)	-38.66%
Comm MU 1.5"	2,619	2,100	(519)	-19.82%
Comm MU 2"	6,541	4650	(1,891)	-28.91%
Pub. Interrupt 3"				
Pub. Interrupt 6"				
Pub. Interrupt 8"				
Pub. Interrupt 10"				
Prison 4"				
PA 5/8"	4,450	3,867	(583)	-13.11%
PA 1"	5,154	4,460	(694)	-13.47%
PA 1.5"	3,877	3,342	(535)	-13.79%
PA 2"	60,153	51,074	(9,079)	-15.09%
PA 3"	15,446	13,058	(2,388)	-15.46%
PA 4"	19,694	16,655	(3,039)	-15.43%
PA 6"	33,295	28,124	(5,171)	-15.53%
PF 2"	396	388	(8)	-2.11%
PF 4"	4,554	3,825	(729)	-16.00%
PF 6"	1,620	1,372	(248)	-15.31%
PF 8"	720	619	(101)	-14.09%
PF 10"	180	151	(29)	-16.00%
PF Hydrant	14,394	12,172	(2,222)	-15.44%
	$ 4,237,285	$ 3,522,396	$ (714,889)	-16.87%
Mohave & Havasu Bill Count to G/L differences	48,141			
Miscellaneous Revenues	108,705			
Total	$ 4,394,131			
Schedule All-1		3,570,475		
Bill Count Over/(Short) Revenue Requirements		$ 62		
Percentage		0.002%		

MINIMUM MONTHLY CHARGES AND COMMODITY RATES

LINE NO.	CUSTOMER CLASS	PRESENT		COMPANY PROPOSED		STAFF RECOMMENDED		PRESENT RATES			
								TIER ONE		TIER TWO	
		MINIMUM CHARGE	GALLONS INCLUDED	MINIMUM CHARGE (b)	GALLONS INCLUDED	MINIMUM CHARGE	GALLONS INCLUDED	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT
1	Residential 5/8"	$ 8.65	1,000	$ 10.65	-	$ 7.27	-	$ 1.48	Infinite		
2	Residential 3/4"	8.65	1,000	?	-	7.27	-	1.48	Infinite		
3	Residential 1"	15.00	1,000	19.07	-	13.00	-	1.48	Infinite		
4	Residential 1.5"	25.00	1,000	33.10	-	21.00	-	1.48	Infinite		
5	Residential 2"	30.00	1,000	49.95	-	25.00	-	1.48	Infinite		
6	Residential 3"	60.00	1,000	89.25	-	50.50	-	1.48	Infinite		
7	Residential 4"	90.00	1,000	145.40	-	75.50	-	1.48	Infinite		
8	Residential 6"	200.00	1,000	285.76	-	168.00	-	1.48	Infinite		
9	Residential 8"	400.00	1,000	?	-	336.00	-	1.48	Infinite		
10	Residential 10"	N/A		?	-	582.00	-	1.48	Infinite		
11	Residential MF 5/8	$8.65 X No. Of Units	1,000 X No. of Units	$10.65 X No. Of Unit	1,000 X No. of Units	$7.27 X No. Of Units X 1/2 w/ Minimum Charge Floc	-	1.48	Infinite		
12	Residential MF 1"	$8.65 X No. Of Units	1,000 X No. of Units	$10.65 X No. Of Unit	1,000 X No. of Units	$7.27 X No. Of Units X 1/2 w/ Minimum Charge Floc	-	1.48	Infinite		
13	Residential MF 1.5"	$8.65 X No. Of Units	1,000 X No. of Units	$10.65 X No. Of Unit	1,000 X No. of Units	$7.27 X No. Of Units X 1/2 w/ Minimum Charge Floc	-	1.48	Infinite		
14	Residential MF 2"	$8.65 X No. Of Units	1,000 X No. of Units	$10.65 X No. Of Unit	1,000 X No. of Units	$7.27 X No. Of Units X 1/2 w/ Minimum Charge Floc	-	1.48	Infinite		
15	Residential MF 4"	$8.65 X No. Of Units	1,000 X No. of Units	$10.65 X No. Of Unit	1,000 X No. of Units	$7.27 X No. Of Units X 1/2 w/ Minimum Charge Floc	-	1.48	Infinite		
16	Residential MF 6"	$8.65 X No. Of Units	1,000 X No. of Units	$10.65 X No. Of Unit	1,000 X No. of Units	$7.27 X No. Of Units X 1/2 w/ Minimum Charge Floc	-	1.48	Infinite		
17	Rio Res 5/8"	7.75	2,000	10.65	-	6.51	-	1.75	Infinite		
18	Rio Res 1"	7.75	2,000	19.07	-	6.51	-	1.75	Infinite		
19	Rio Res 2"	7.75	2,000	49.95	-	6.51	-	1.75	Infinite		
20	Commerical 5/8"	8.65	1,000	10.65	-	7.27	-	1.48	Infinite		
21	Commerical 3/4"	N/A		?	-	7.27	-	1.48	Infinite		
22	Commerical 1"	15.00	1,000	19.07	-	13.00	-	1.48	Infinite		
23	Commerical 1.5"	25.00	1,000	33.10	-	21.00	-	1.48	Infinite		
24	Commerical 2"	30.00	1,000	49.95	-	25.00	-	1.48	Infinite		
25	Commerical 3"	60.00	1,000	89.25	-	50.50	-	1.48	Infinite		
26	Commerical 4"	90.00	1,000	145.40	-	75.50	-	1.48	Infinite		
27	Commerical 6"	200.00	1,000	285.76	-	168.00	-	1.48	Infinite		
28	Commerical 8"	400.00	1,000	?	-	336.00	-	1.48	Infinite		
29	Commerical 10"	N/A		?	-	582.00	-	1.48	Infinite		
30	Comm MU 5/8"	$8.65 X No. Of Units	1,000 X No. of Units	$10.65 X No. Of Unit	1,000 X No. of Units	$7.27 X No. Of Units X 1/2 w/ Minimum Charge Floc	-	1.48	Infinite		
31	Comm MU 1"	$8.65 X No. Of Units	1,000 X No. of Units	$10.65 X No. Of Unit	1,000 X No. of Units	$7.27 X No. Of Units X 1/2 w/ Minimum Charge Floc	-	1.48	Infinite		
32	Comm MU 1.5"	$8.65 X No. Of Units	1,000 X No. of Units	$10.65 X No. Of Unit	1,000 X No. of Units	$7.27 X No. Of Units X 1/2 w/ Minimum Charge Floc	-	1.48	Infinite		
33	Comm MU 2"	$8.65 X No. Of Units	1,000 X No. of Units	$10.65 X No. Of Unit	1,000 X No. of Units	$7.27 X No. Of Units X 1/2 w/ Minimum Charge Floc	-	1.48	Infinite		
34	PA 5/8"	8.65	1,000	10.65	1,000	7.27	-	1.48	Infinite		
35	PA 1"	15.00	1,000	19.07	1,000	13.00	-	1.48	Infinite		
36	PA 1.5"	25.00	1,000	33.10	1,000	21.00	-	1.48	Infinite		
37	PA 2"	30.00	1,000	49.95	1,000	25.00	-	1.48	Infinite		
38	PA 3"	60.00	1,000	89.25	1,000	50.50	-	1.48	Infinite		
39	PA 4"	90.00	1,000	145.40	1,000	75.50	-	1.48	Infinite		
40	PA 6"	200.00	1,000	285.76	1,000	168.00	-	1.48	Infinite		
41	PF 2"	3.00	-	3.10	-	2.52	-	1.48	Infinite		
42	PF 4"	6.00	-	6.20	-	5.04	-	1.48	Infinite		
43	PF 6"	9.00	-	9.30	-	7.56	-	1.48	Infinite		
44	PF 8"	12.00	-	12.40	-	10.08	-	1.48	Infinite		
45	PF 10"	15.00	-	15.50	-	12.60	-	1.48	Infinite		
46	PF 12"	18.00	-	18.60	-	15.12	-	1.48	Infinite		
47	PF 14"	21.00	-	21.70	-	17.65	-	1.48	Infinite		
48	PF 20"	30.00	-	31.02	-	25.21	-	1.48	Infinite		
49	PF Hydrant	7.64	-	7.89	-	6.42	-	1.48	Infinite		
50	Standby	7.64	-	7.89	-	6.42	-	1.48	Infinite		
51	Intentionally Left Blank	-	-	-	-	-	-				

MINIMUM MONTHLY CHARGES AND COMMODITY RATES

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED RATES						STAFF RECOMMENDED RATES					
		TIER ONE		TIER TWO		TIER THREE		TIER ONE		TIER TWO		TIER THREE	
		COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT
52	Residential 5/8"	$ 0.6780	4,000	$ 1.1630	12,000	$ 1.7440	Infinite	$ 0.8200	4,000	$ 1.2400	18,000	$ 1.4600	Infinite
53	Residential 3/4"	0.6780	4,000	1.1630	12,000	1.7440	Infinite	0.8200	4,000	1.2400	18,000	1.4600	Infinite
54	Residential 1"	0.6780	4,000	1.1630	12,000	1.7440	Infinite	1.2400	35,000	1.4600	Infinite		
55	Residential 1.5"	0.6780	4,000	1.1630	12,000	1.7440	Infinite	1.2400	65,000	1.4600	Infinite		
56	Residential 2"	0.6780	4,000	1.1630	12,000	1.7440	Infinite	1.2400	80,000	1.4600	Infinite		
57	Residential 3"	0.6780	4,000	1.1630	12,000	1.7440	Infinite	1.2400	175,000	1.4600	Infinite		
58	Residential 4"	0.6780	4,000	1.1630	12,000	1.7440	Infinite	1.2400	275,000	1.4600	Infinite		
59	Residential 6"	0.6780	4,000	1.1630	12,000	1.7440	Infinite	1.2400	650,000	1.4600	Infinite		
60	Residential 8"	0.6780	4,000	1.1630	12,000	1.7440	Infinite	1.2400	1,250,000	1.4600	Infinite		
61	Residential 10"	0.6780	4,000	1.1630	12,000	1.7440	Infinite	1.2400	2,250,000	1.4600	Infinite		
62	Residential MF 5/8	0.6780	4,000 x # Units	1.1630	12,000 x # Units	1.7440	Infinite	1.2400	18,000	1.4600	Infinite		
63	Residential MF 1"	0.6780	4,000 x # Units	1.1630	12,000 x # Units	1.7440	Infinite	1.2400	35,000	1.4600	Infinite		
64	Residential MF 1.5"	0.6780	4,000 x # Units	1.1630	12,000 x # Units	1.7440	Infinite	1.2400	65,000	1.4600	Infinite		
65	Residential MF 2"	0.6780	4,000 x # Units	1.1630	12,000 x # Units	1.7440	Infinite	1.2400	80,000	1.4600	Infinite		
66	Residential MF 4"	0.6780	4,000 x # Units	1.1630	12,000 x # Units	1.7440	Infinite	1.2400	275,000	1.4600	Infinite		
67	Residential MF 6"	0.6780	4,000 x # Units	1.1630	12,000 x # Units	1.7440	Infinite	1.2400	650,000	1.4600	Infinite		
68	Rio Res 5/8"	0.6780	4,000	1.1630	12,000	1.7440	Infinite	0.8200	4,000	1.2400	18,000	1.4600	Infinite
69	Rio Res 1"	0.6780	4,000	1.1630	12,000	1.7440	Infinite	1.2400	35,000	1.4600	Infinite		
70	Rio Res 2"	0.6780	4,000	1.1630	12,000	1.7440	Infinite	1.2400	80,000	1.4600	Infinite		
71	Commerical 5/8"	1.1630	31,000	1.7440	Infinite			1.2400	18,000	1.4600	Infinite		
72	Commerical 3/4"	1.1630	?	1.7440	Infinite			1.2400	18,000	1.4600	Infinite		
73	Commerical 1"	1.1630	37,000	1.7440	Infinite			1.2400	35,000	1.4600	Infinite		
74	Commerical 1.5"	1.1630	112,000	1.7440	Infinite			1.2400	65,000	1.4600	Infinite		
75	Commerical 2"	1.1630	148,000	1.7440	Infinite			1.2400	80,000	1.4600	Infinite		
76	Commerical 3"	1.1630	487,000	1.7440	Infinite			1.2400	175,000	1.4600	Infinite		
77	Commerical 4"	1.1630	?	1.7440	Infinite			1.2400	275,000	1.4600	Infinite		
78	Commerical 6"	1.1630	?	1.7440	Infinite			1.2400	650,000	1.4600	Infinite		
79	Commerical 8"	1.1630	?	1.7440	Infinite			1.2400	1,250,000	1.4600	Infinite		
80	Commerical 10"	1.1630	?	1.7440	Infinite			1.2400	2,250,000	1.4600	Infinite		
81	Comm MU 5/8"	1.1630	31,000 x # Units	1.7440	Infinite			1.2400	18,000	1.4600	Infinite		
82	Comm MU 1"	1.1630	31,000 x # Units	1.7440	Infinite			1.2400	35,000	1.4600	Infinite		
83	Comm MU 1.5"	1.1630	31,000 x # Units	1.7440	Infinite			1.2400	65,000	1.4600	Infinite		
84	Comm MU 2"	1.1630	31,000 x # Units	1.7440	Infinite			1.2400	80,000	1.4600	Infinite		
85	PA 5/8"	1.1630	Infinite					1.2500					
86	PA 1"	1.1630	Infinite					1.2500					
87	PA 1.5"	1.1630	Infinite					1.2500					
88	PA 2"	1.1630	Infinite					1.2500					
89	PA 3"	1.1630	Infinite					1.2500					
90	PA 4"	1.1630	Infinite					1.2500					
91	PA 6"	1.1630	Infinite					1.2500					
92	PF 2"	1.53	Infinite					1.2500					
93	PF 4"	1.53	Infinite					1.2500					
94	PF 6"	1.53	Infinite					1.2500					
95	PF 8"	1.53	Infinite					1.2500					
96	PF 10"	1.53	Infinite					1.2500					
97	PF 12"	1.53	Infinite					1.2500					
98	PF 14"	1.53	Infinite					1.2500					
99	PF 20"	1.53	Infinite					1.2500					
100	PF Hydrant	1.53	Infinite					1.2500					
101	Standby	1.53	Infinite					1.2500					
102	Intentionally Left Blank												

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE AND COSTS

LINE NO.	CUSTOMER CLASS	CURRENT AVERAGE USAGE	CURRENT AVERAGE DOLLARS	CURRENT MEDIAN USAGE	CURRENT MEDIAN DOLLARS
1	Residential 5/8"				
2	RS BCMI 5/8"	8,787	$ 20.18	7,000	$ 17.53
3	RS BRMI 5/8"	7,466	$ 18.22	7,000	$ 17.53
4	RS BRMO 5/8"	11,076	$ 23.56	7,000	$ 17.53
5	Residential MF 5/8				
6	RS B002 5/8"	13,090	$ 33.71	7,000	$ 24.70
7	RS B003 5/8"	12,178	$ 39.53	7,000	$ 31.87
8	RS B004 5/8"	18,231	$ 55.66	7,000	$ 39.04
9	RS B005 5/8"	29,000	$ 78.77	7,000	$ 46.21
10	RS B006 5/8"	28,139	$ 84.67	7,000	$ 53.38
11	RS B007 5/8"	23,917	$ 85.59	7,000	$ 60.55
12	RS B008 5/8"	47,917	$ 128.28	7,000	$ 69.20
13	RS B009 5/8"	15,750	$ 87.84	7,000	$ 77.85
14	RS B010 5/8"	48,750	$ 143.85	7,000	$ 86.50
15	RS B012 5/8"	87,524	$ 215.58	7,000	$ 103.80
16	RS B018 5/8"	74,000	$ 238.58	7,000	$ 155.70
17	RS B019 5/8"	19,833	$ 165.58	7,000	$ 164.35
18	RS B020 5/8"	48,944	$ 215.84	7,000	$ 173.00
19	RS B022 5/8"	63,625	$ 251.91	7,000	$ 190.30
20	RS B060 5/8"	183,750	$ 702.15	7,000	$ 519.00
21	RS B067 5/8"	355,545	$ 1,006.60	7,000	$ 579.55
22	Residential 3/4"	NOT USED			
23	Residential 1"				
24	RS BCMI 1"	37,875	$ 69.58	7,000	$ 23.88
25	RS BIMI 1"	20,334	$ 43.61	7,000	$ 23.88
26	Residential MF 1"				
27	RS B002 1"	14,743	$ 36.16	7,000	$ 24.70
28	RS B003 1"	12,970	$ 40.71	7,000	$ 31.87
29	RS B004 1"	19,350	$ 57.32	7,000	$ 39.04
30	RS B006 1"	38,083	$ 99.38	7,000	$ 53.38
31	RS B008 1"	126,667	$ 244.83	7,000	$ 69.20
32	RS B009 1"	6,833	$ 77.85	7,000	$ 77.85
33	RS B010 1"	46,917	$ 141.14	7,000	$ 86.50
34	RS B012 1"	159,000	$ 321.36	7,000	$ 103.80
35	RS B013 1"	31,708	$ 140.14	7,000	$ 112.45
36	RS B014 1"	72,708	$ 207.99	7,000	$ 121.10
37	RS B018 1"	83,917	$ 253.26	7,000	$ 155.70
38	RS B030 1"	61,000	$ 305.38	7,000	$ 259.50
39	Residential 1.5"	NOT USED			
40	Residential MF 1.5"				
41	RS B004 1.5"	-	$ 34.60	-	$ 34.60
42	RS B026 1.5"	72,833	$ 294.21	7,000	$ 224.90
43	RS B052 1.5"	95,125	$ 513.63	7,000	$ 449.80
44	Residential 2"				
45	RS BCMI 2"	36,152	$ 82.02	7,000	$ 38.88
46	RS BRMI 2"	72,230	$ 135.42	7,000	$ 38.88
47	Residential MF 2"				
48	RS B004 2"	15,924	$ 52.25	7,000	$ 39.04
49	RS B006 2"	103,833	$ 196.69	7,000	$ 53.38
50	RS B008 2"	17,000	$ 82.52	7,000	$ 69.20
51	RS B009 2"	57,958	$ 150.31	7,000	$ 77.85
52	RS B010 2"	23,417	$ 106.36	7,000	$ 86.50
53	RS B011 2"	11,417	$ 95.77	7,000	$ 95.15
54	RS B012 2"	34,304	$ 136.81	7,000	$ 103.80
55	RS B013 2"	9,333	$ 112.45	7,000	$ 112.45
56	RS B015 2"	8,000	$ 129.75	7,000	$ 129.75
57	RS B016 2"	95,359	$ 255.85	7,000	$ 138.40
58	RS B017 2"	6,083	$ 147.05	7,000	$ 147.05
59	RS B018 2"	45,208	$ 195.97	7,000	$ 155.70
60	RS B020 2"	55,750	$ 225.91	7,000	$ 173.00
61	RS B021 2"	11,972	$ 181.65	7,000	$ 181.65
62	RS B023 2"	15,167	$ 198.95	7,000	$ 198.95
63	RS B024 2"	89,083	$ 303.92	7,000	$ 207.60
64	RS B025 2"	24,750	$ 216.25	7,000	$ 216.25
65	RS B028 2"	81,000	$ 320.64	7,000	$ 242.20
66	RS B030 2"	70,917	$ 320.06	7,000	$ 259.50
67	RS B031 2"	184,167	$ 494.84	7,000	$ 268.15
68	RS B040 2"	235,167	$ 634.85	7,000	$ 346.00
69	RS B041 2"	278,208	$ 705.72	7,000	$ 354.65
70	RS B043 2"	164,278	$ 551.44	7,000	$ 371.95

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE AND COSTS

71	RS B048 2"	255,750	$	722.67	7,000	$	415.20
72	RS B052 2"	148,250	$	592.25	7,000	$	449.80
73	RS B057 2"	167,167	$	656.10	7,000	$	493.05
74	RS B173 2"	631,000	$	2,174.29	7,000	$	1,496.45
75	RS B174 2"	17,400	$	1,505.10	7,000	$	1,505.10
76	Residential MF 4"						
77	RS B041 4"	404,583	$	892.75	7,000	$	354.65
78	RS B066 4"	28,583	$	570.90	7,000	$	570.90
79	Residential MF 6"						
80	RS B174 6"	87,600	$	1,505.10	7,000	$	1,505.10
81	RS B359 6"	1,192,333	$	4,338.68	7,000	$	3,105.35
82	RS B373 6"	1,104,000	$	4,308.33	7,000	$	3,226.45
83	RS M695	2,057,083	$	8,027.63	7,000	$	6,011.75
84	Rio Verde Res 5/8"	11,942	$	25.15	7,000	$	16.50
85	Rio Verde Res 1"	12,501	$	26.13	8,000	$	18.25
86	Rio Verde Res 2"	11,000	$	23.50	7,000	$	16.50
87	Commerical 5/8"						
88	CM BAMI 5/8"	15,042	$	29.43	7,000	$	17.53
89	CM BCMI 5/8"	11,714	$	24.51	7,000	$	17.53
90	CM BCMO 5/8"	196,229	$	297.59	7,000	$	17.53
91	CM BRNI 5/8"	13,286	$	26.83	7,000	$	17.53
92	CM RCMI 5/8"	8,000	$	19.01	7,000	$	17.53
93	Comm MU 5/8"						
94	CM B002 5/8"	9,125	$	27.85	7,000	$	24.70
95	CM B003 5/8"	27,250	$	61.84	7,000	$	31.87
96	CM B004 5/8"	13,000	$	47.92	7,000	$	39.04
97	CM B005 5/8"	17,417	$	61.63	7,000	$	46.21
98	CM B006 5/8"	14,917	$	65.10	7,000	$	53.38
99	CM B007 5/8"	28,250	$	92.00	7,000	$	60.55
100	CM B010 5/8"	8,500	$	86.50	7,000	$	86.50
101	CM B017 5/8"	365,500	$	662.83	7,000	$	147.05
102	Commerical 3/4"	NOT USED					
103	Commerical 1"						
104	CM BCMI 1"	29,461	$	57.12	7,000	$	23.88
105	CM BCMO 1"	14,368	$	34.79	7,000	$	23.88
106	CM RCMI 1"	20,000	$	43.12	7,000	$	23.88
107	CM BCTX 1"	-	$	15.00	-	$	15.00
108	Comm MU 1"						
109	CM B003 1"	22,167	$	54.32	7,000	$	31.87
110	CM B004 1"	11,174	$	45.22	7,000	$	39.04
111	CM B005 1"	7,167	$	46.46	7,000	$	46.21
112	CM B006 1"	9,917	$	57.70	7,000	$	53.38
113	Commerical 1.5"						
114	CM BCMI 1.5"	85,344	$	149.83	7,000	$	33.88
115	Comm MU 1.5"						
116	CM B005 1.5"	123,250	$	218.26	7,000	$	46.21
117	Commerical 2"						
118	CM BAMI 2"	39,875	$	87.54	7,000	$	38.88
119	CM BCMI 2"	107,010	$	186.89	7,000	$	38.88
120	BCMO 2"	62,901	$	121.61	7,000	$	38.88
121	CM BCTX 2"	74,194	$	138.33	7,000	$	38.88
122	Comm MU 2"						
123	CM B004 2"	118,000	$	203.32	7,000	$	39.04
124	CM B006 2"	15,667	$	66.21	7,000	$	53.38
125	CM B012 2"	265,083	$	478.36	7,000	$	103.80
126	CM B014 2"	183,667	$	372.21	7,000	$	121.10
127	CM B044 2"	4,750	$	380.60	7,000	$	380.60
128	Commerical 3"						
129	CM BCMI 3"	153,110	$	285.12	7,000	$	68.88
130	PA 5/8" BAMI	3,731	$	12.69	7,000	$	17.53
131	PA 1" BAMI	27,158	$	53.71	7,000	$	23.88
132	PA 1.5" BAMI	27,767	$	64.61	7,000	$	33.88
133	PA 2" BAMI	74,826	$	139.26	7,000	$	38.88
134	PA 3" BAMI	830,167	$	1,287.17	7,000	$	68.88
135	PA 4" BAMI	1,050,083	$	1,642.64	7,000	$	98.88
136	PA 6" BAMI	1,740,583	$	2,774.58	7,000	$	208.88
137	PF 2"	-	$	3.00	-	$	3.00
138	PF 4"	-	$	6.00	-	$	6.00
139	PF 6"	-	$	9.00	-	$	9.00
140	PF 8"	-	$	12.00	-	$	12.00
141	PF 10"	-	$	15.00	-	$	15.00
142	PF Hydrant	-	$	7.64	-	$	7.64
143	Intentionally left blank						

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE AND COSTS

LINE NO.	CUSTOMER CLASS	STAFF RECOMMENDED					
		AVERAGE	INCREASE	PERCENT	MEDIAN	INCREASE	PERCENT
287	Residential 5/8"						
288	RS BCMI 5/8"	$ 16.49	$ (3.69)	-18.31%	$ 14.27	$ (3.26)	-18.60%
289	RS BRMI 5/8"	14.85	(3.37)	-18.51%	14.27	(3.26)	-18.60%
290	RS BRMO 5/8"	19.32	(4.24)	-17.98%	14.27	(3.26)	-18.60%
291	Residential MF 5/8						
292	RS B002 5/8"	23.50	(10.21)	-30.28%	20.91	(3.79)	-15.34%
293	RS B003 5/8"	26.01	(13.52)	-34.21%	23.31	(8.57)	-26.87%
294	RS B004 5/8"	37.20	(18.46)	-33.17%	31.90	(7.14)	-18.29%
295	RS B005 5/8"	56.56	(22.22)	-28.20%	59.48	13.27	28.71%
296	RS B006 5/8"	58.93	(25.74)	-30.40%	54.35	0.97	1.82%
297	RS B007 5/8"	56.40	(29.19)	-34.10%	53.61	(6.94)	-11.47%
298	RS B008 5/8"	95.08	(33.20)	-25.88%	83.52	14.32	20.69%
299	RS B009 5/8"	52.25	(35.60)	-40.52%	32.72	(45.14)	-57.98%
300	RS B010 5/8"	103.57	(40.29)	-28.00%	89.33	2.83	3.27%
301	RS B012 5/8"	167.45	(48.13)	-22.33%	43.62	(60.18)	-57.98%
302	RS B018 5/8"	169.51	(69.07)	-28.95%	119.87	(35.83)	-23.01%
303	RS B019 5/8"	94.06	(71.52)	-43.19%	90.15	(74.21)	-45.15%
304	RS B020 5/8"	140.20	(75.64)	-35.05%	135.90	(37.10)	-21.45%
305	RS B022 5/8"	168.90	(83.01)	-32.95%	131.49	(58.81)	-30.90%
306	RS B060 5/8"	482.42	(219.74)	-31.29%	465.26	(53.74)	-10.35%
307	RS B067 5/8"	758.68	(247.92)	-24.63%	1,721.49	1,141.94	197.04%
308	Residential 3/4"						
309	Residential 1"						
310	RS BCMI 1"	60.60	(8.98)	-12.91%	39.04	15.16	63.48%
311	RS BIMI 1"	38.21	(5.40)	-12.37%	24.16	0.28	1.17%
312	Residential MF 1"						
313	RS B002 1"	31.28	(4.88)	-13.49%	29.12	4.42	17.89%
314	RS B003 1"	28.86	(11.85)	-29.11%	30.36	(1.51)	-4.74%
315	RS B004 1"	38.53	(18.79)	-32.77%	33.14	(5.90)	-15.11%
316	RS B006 1"	69.71	(29.67)	-29.85%	56.53	3.15	5.90%
317	RS B008 1"	206.31	(38.52)	-15.73%	189.28	120.08	173.53%
318	RS B009 1"	41.19	(36.66)	-47.09%	42.64	(35.22)	-45.23%
319	RS B010 1"	97.15	(43.99)	-31.17%	94.35	7.85	9.08%
320	RS B012 1"	268.06	(53.30)	-16.59%	256.38	152.58	146.99%
321	RS B013 1"	86.57	(53.57)	-38.22%	86.94	(25.52)	-22.69%
322	RS B014 1"	149.34	(58.65)	-28.20%	139.55	18.45	15.24%
323	RS B018 1"	180.25	(73.01)	-28.83%	152.63	(3.07)	-1.97%
324	RS B030 1"	190.41	(114.97)	-37.65%	152.45	(107.05)	-41.25%
325	Residential 1.5"						
326	Residential MF 1.5"						
327	RS B004 1.5"	21.00	(13.60)	-39.31%	21.00	(13.60)	-39.31%
328	RS B026 1.5"	186.55	(107.66)	-36.59%	189.71	(35.19)	-15.65%
329	RS B052 1.5"	313.60	(200.03)	-38.94%	288.60	(161.20)	-35.84%
330	Residential 2"						
331	RS BCMI 2"	69.83	(12.19)	-14.86%	46.08	7.20	18.52%
332	RS BRMI 2"	114.57	(20.85)	-15.40%	84.52	45.64	117.39%
333	Residential MF 2"						
334	RS B004 2"	44.75	(7.50)	-14.36%	39.88	0.84	2.15%
335	RS B006 2"	159.00	(37.69)	-19.16%	149.02	95.64	179.17%
336	RS B008 2"	50.16	(32.36)	-39.21%	40.24	(28.96)	-41.85%
337	RS B009 2"	104.58	(45.73)	-30.42%	88.52	10.67	13.70%
338	RS B010 2"	65.39	(40.97)	-38.52%	64.87	(21.63)	-25.01%
339	RS B011 2"	54.14	(41.63)	-43.47%	53.63	(41.53)	-43.64%
340	RS B012 2"	86.16	(50.65)	-37.02%	84.54	(19.26)	-18.55%
341	RS B013 2"	58.83	(53.62)	-47.69%	54.70	(57.76)	-51.36%
342	RS B015 2"	64.45	(65.31)	-50.33%	54.53	(75.23)	-57.98%
343	RS B016 2"	179.78	(76.07)	-29.73%	125.12	(13.28)	-9.60%
344	RS B017 2"	69.34	(77.71)	-52.85%	61.80	(85.26)	-57.98%
345	RS B018 2"	121.49	(74.48)	-38.01%	112.55	(43.15)	-27.71%
346	RS B020 2"	141.83	(84.08)	-37.22%	126.02	(46.98)	-27.16%
347	RS B021 2"	91.18	(90.47)	-49.80%	76.34	(105.32)	-57.98%
348	RS B023 2"	102.41	(96.54)	-48.52%	83.61	(115.35)	-57.98%
349	RS B024 2"	199.70	(104.22)	-34.29%	217.10	9.50	4.58%
350	RS B025 2"	121.57	(94.69)	-43.78%	116.92	(99.34)	-45.94%
351	RS B028 2"	202.44	(118.20)	-36.86%	193.54	(48.66)	-20.09%
352	RS B030 2"	196.99	(123.07)	-38.45%	179.73	(79.77)	-30.74%
353	RS B031 2"	363.97	(130.87)	-26.45%	299.49	31.34	11.69%
354	RS B040 2"	471.14	(163.71)	-25.79%	338.04	(7.96)	-2.30%
355	RS B041 2"	537.62	(168.10)	-23.82%	500.82	146.17	41.21%
356	RS B043 2"	378.55	(172.89)	-31.35%	373.77	1.82	0.49%
357	RS B048 2"	530.28	(192.40)	-26.62%	530.64	115.44	27.80%
358	RS B052 2"	387.87	(204.39)	-34.51%	346.62	(103.18)	-22.94%
359	RS B057 2"	433.66	(222.44)	-33.90%	483.06	(10.00)	-2.03%

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE AND COSTS

360	RS B173 2"	$ 1,532.52	$ (641.78)	-29.52%	$ 1,329.58	$ (166.88)	-11.15%
361	RS B174 2"	654.07	(851.03)	-56.54%	632.49	(872.61)	-57.98%
362	Residential MF 4"						
363	RS B041 4"	679.23	(213.52)	-23.92%	532.38	177.73	50.11%
364	RS B066 4"	275.35	(295.55)	-51.77%	269.67	(301.23)	-52.76%
365	Residential MF 6"						
366	RS B174 6"	741.11	(763.99)	-50.76%	789.97	(715.13)	-47.51%
367	RS B359 6"	2,902.77	(1,435.91)	-33.10%	2,973.83	(131.53)	-4.24%
368	RS B373 6"	2,824.70	(1,483.64)	-34.44%	2,804.26	(422.20)	-13.09%
369	RS M695	5,386.67	(2,640.96)	-32.90%	4,859.49	(1,152.27)	-19.17%
370	Rio Verde Res 5/8"	19.64	(5.51)	-21.92%	15.99	(0.51)	-3.09%
371	Rio Verde Res 1"	22.01	(4.12)	-15.76%	20.15	1.90	10.41%
372	Rio Verde Res 2"	20.15	(3.35)	-14.26%	23.87	7.37	44.67%
373	Commerical 5/8"						
374	CM BAMI 5/8"	25.92	(3.51)	-11.92%	23.39	5.86	33.43%
375	CM BCMI 5/8"	21.80	(2.71)	-11.08%	12.23	(5.30)	-30.23%
376	CM BCMO 5/8"	289.80	(7.79)	-2.62%	9.75	(7.78)	-44.38%
377	CM BRNI 5/8"	23.74	(3.09)	-11.50%	18.43	0.90	5.13%
378	CM RCMI 5/8"	17.19	(1.82)	-9.57%	17.19	(0.34)	-1.94%
379	Comm MU 5/8"						
380	CM B002 5/8"	18.59	(9.27)	-33.27%	7.27	(17.43)	-70.57%
381	CM B003 5/8"	46.73	(15.11)	-24.43%	34.69	2.82	8.83%
382	CM B004 5/8"	30.66	(17.26)	-36.02%	28.18	(10.86)	-27.82%
383	CM B005 5/8"	39.77	(21.86)	-35.47%	40.50	(5.72)	-12.37%
384	CM B006 5/8"	40.31	(24.79)	-38.08%	30.49	(22.89)	-42.88%
385	CM B007 5/8"	62.73	(29.27)	-31.82%	56.53	(4.03)	-6.65%
386	CM B010 5/8"	46.89	(39.61)	-45.79%	46.27	(40.23)	-46.51%
387	CM B017 5/8"	591.47	(71.37)	-10.77%	600.96	453.91	308.67%
388	Commerical 3/4"						
389	Commerical 1"						
390	CM BCMI 1"	49.53	(7.59)	-13.28%	31.60	7.72	32.33%
391	CM BCMO 1"	30.82	(3.97)	-11.42%	16.72	(7.16)	-29.98%
392	CM RCMI 1"	37.80	(5.32)	-12.34%	37.80	13.92	58.29%
393	CM BCTX 1"	13.00	(2.00)	-13.33%	13.00	(2.00)	-13.33%
394	Comm MU 1"						
395	CM B003 1"	40.49	(13.83)	-25.47%	37.80	5.93	18.61%
396	CM B004 1"	26.40	(16.82)	-37.21%	25.70	(13.34)	-34.17%
397	CM B005 1"	27.06	(19.40)	-41.75%	21.90	(24.32)	-52.62%
398	CM B006 1"	34.11	(23.59)	-40.89%	29.25	(24.13)	-45.20%
399	Commerical 1.5"						
400	CM BCMI 1.5"	131.30	(18.53)	-12.37%	69.36	35.48	104.72%
401	Comm MU 1.5"						
402	CM B005 1.5"	186.65	(31.62)	-14.49%	165.84	119.63	258.88%
403	Commerical 2"						
404	CM BAMI 2"	74.45	(13.10)	-14.96%	68.40	29.52	75.93%
405	CM BCMI 2"	163.63	(23.26)	-12.44%	82.04	43.16	111.01%
406	BCMO 2"	103.00	(18.61)	-15.31%	51.04	12.16	31.28%
407	CM BCTX 2"	117.00	(21.33)	-15.42%	100.64	61.76	158.85%
408	Comm MU 2"						
409	CM B004 2"	179.68	(23.64)	-11.63%	179.68	140.64	360.25%
410	CM B006 2"	44.43	(21.78)	-32.90%	33.68	(19.70)	-36.91%
411	CM B012 2"	413.04	(65.32)	-13.65%	391.02	287.22	276.71%
412	CM B014 2"	301.44	(70.77)	-19.01%	301.44	180.34	148.92%
413	CM B044 2"	165.83	(214.77)	-56.43%	163.66	(216.94)	-57.00%
414	Commerical 3"						
415	CM BCMI 3"	240.36	(44.76)	-15.70%	57.94	(10.94)	-15.88%
416	PA 5/8" BAMI	11.93	(0.76)	-5.96%	7.27	(10.26)	-58.53%
417	PA 1" BAMI	46.95	(6.76)	-12.59%	44.25	20.37	85.30%
418	PA 1.5" BAMI	55.71	(8.90)	-13.78%	43.50	9.62	28.39%
419	PA 2" BAMI	118.53	(20.73)	-14.89%	41.25	2.37	6.09%
420	PA 3" BAMI	1,088.18	(198.99)	-15.46%	996.72	927.84	1347.04%
421	PA 4" BAMI	1,388.06	(254.58)	-15.50%	1,370.46	1,271.58	1285.98%
422	PA 6" BAMI	2,343.66	(430.92)	-15.53%	2,891.66	2,682.78	1284.37%
423	PF 2"	2.52	(0.48)	-16.00%	2.52	(0.48)	-16.00%
424	PF 4"	5.04	(0.96)	-16.00%	5.04	(0.96)	-16.00%
425	PF 6"	7.56	(1.44)	-16.00%	7.56	(1.44)	-16.00%
426	PF 8"	10.08	(1.92)	-16.00%	10.08	(1.92)	-16.00%
427	PF 10"	12.60	(2.40)	-16.00%	12.60	(2.40)	-16.00%
428	PF Hydrant	6.42	(1.22)	-15.97%	6.42	(1.22)	-15.97%
429	Intentionally left blank						

Note: Company's Schedule H-4 indicates a 7,000 gallon median for all classes which does not produce meaningful comparisons.

ARIZONA-AMERICAN WATER COMPANY, INC. - SUN CITY WATER: RATE DESIGN REVISED 2/17/2004
Arizona American Water Company
Docket No. WS-01303A-02-0867 ET AL
Test Year Ended December 31, 2001

Sun City Schedule DRR-1
Revised 2/17/2004

Description	Present Revenue	Staff Recommended	Difference	Percentage
Residential 5/8"	$ 2,673,198	$ 3,485,813	$ 812,615	30.40%
Residential 3/4"	2,221	2,483	262	11.78%
Residential 1"	67,544	91,215	23,671	35.05%
Residential 1.5"	1,491,026	1,949,315	458,289	30.74%
Residential 2"	632,799	836,280	203,481	32.16%
Residential 3"	13,103	17,252	4,149	31.66%
Residential 6"	6,383	8,624	2,241	35.12%
Commerical 5/8"	26,362	36,644	10,282	39.00%
Commerical 3/4"	3,156	4,527	1,371	43.43%
Commerical 1"	48,541	66,625	18,084	37.26%
Commerical 1.5"	151,756	200,867	49,111	32.36%
Commerical 2"	285,530	386,465	100,935	35.35%
Commerical 3"	68,419	90,839	22,420	32.77%
Commerical 4"	71,802	103,470	31,668	44.10%
Commerical 6"	203,846	298,129	94,283	46.25%
Irrigation 1"	339	411	72	21.21%
Irrigation 1.5"	98,005	126,127	28,122	28.69%
Irrigation 2"	5,563	6,912	1,349	24.24%
Irrigation 3"	1,045	1,360	315	30.19%
Irrigation 6"	197,299	258,780	61,481	31.16%
Pub. Interrupt 3"	-	-	-	
Pub. Interrupt 8"	19	80	61	321.06%
PF 3"	72	94	22	31.17%
PF 4"	5,940	7,788	1,848	31.11%
PF 6"	7,350	9,643	2,293	31.20%
PF 8"	2,400	3,148	748	31.15%
Standby	2,646	3,470	824	31.14%
Total Revenues	$ 6,065,943	$ 7,996,362	$ 1,930,419	31.82%
Ground Water Savings Program	(466,778)			
Miscellaneous Revenues	113,419			
Total	6,179,362			
Schedule All-1 Revenue Requirement		7,996,193		
Bill Count Over/(Short) Revenue Requirements		$ 169		
Percent		0.0021%		

MINIMUM MONTHLY CHARGES AND COMMODITY RATES

LINE NO.	CUSTOMER CLASS	PRESENT		COMPANY PROPOSED		STAFF RECOMMENDED		PRESENT RATES			
								TIER ONE		TIER TWO	
		MINIMUM CHARGE	GALLONS INCLUDED	MINIMUM CHARGE (b)	GALLONS INCLUDED	MINIMUM CHARGE	GALLONS INCLUDED	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT
1	Residential 5/8"	$ 5.00	-	$ 10.65	-	$ 6.56	-	$ 0.73	8,000	$ 0.92	Infinite
2	Residential 3/4"	5.00	-	-	-	6.56	-	0.73	8,000	0.92	Infinite
3	Residential 1"	13.00	-	19.07	-	17.00	-	0.73	8,000	0.92	Infinite
4	Residential 1.5"	28.00	-	33.10	-	35.00	-	0.73	8,000	0.92	Infinite
5	Residential 2"	41.00	-	51.48	-	53.00	-	0.73	8,000	0.92	Infinite
6	Residential 3"	70.00	-	91.77	-	90.00	-	0.73	8,000	0.92	Infinite
7	Residential 4"	103.00	-	149.33	-	135.00	-	0.73	8,000	0.92	Infinite
8	Residential 6"	141.00	-	293.24	-	185.00	-	0.73	8,000	0.92	Infinite
9	Residential 8"			503.20	-	350.00	-	0.73	8,000	0.92	Infinite
10	Commerical 5/8"	5.00	-	10.65	-	6.56	-	0.73	8,000	0.92	Infinite
11	Commerical 3/4"	5.00	-	-	-	6.56	-	0.73	8,000	0.92	Infinite
12	Commerical 1"	13.00	-	19.07		17.00	-	0.73	8,000	0.92	Infinite
13	Commerical 1.5"	28.00	-	33.10	-	35.00	-	0.73	8,000	0.92	Infinite
14	Commerical 2"	41.00	-	51.48	-	53.00	-	0.73	8,000	0.92	Infinite
15	Commerical 3"	70.00	-	91.77	-	90.00	-	0.73	8,000	0.92	Infinite
16	Commerical 4"	103.00	-	149.33	-	135.00	-	0.73	8,000	0.92	Infinite
17	Commerical 6"	141.00	-	293.24	-	185.00	-	0.73	8,000	0.92	Infinite
18	Commercial 8"			503.20	-	350.00	-	0.73	8,000	0.92	Infinite
19	Irrigation 1"	13.00	-	22.59	-	17.05	-	0.65	Infinite		
20	Irrigation 1.5"	28.00	-	48.65	-	35.00	-	0.65	Infinite		
21	Irrigation 2"	41.00	-	71.23	-	53.00	-	0.65	Infinite		
22	Irrigation 3"	70.00	-	121.62	-	90.00	-	0.65	Infinite		
23	Irrigation 4"	103.00	-	178.95	-	135.00	-	0.65	Infinite		
24	Irrigation 6"	141.00	-	244.97	-	185.00	-	0.65	Infinite		
25	Pub. Interrupt 3"	3.50	-	6.08	-	4.59	-	0.50	Infinite		
26	Pub. Interrupt 8"	3.50	-	6.08	-	4.59	-	0.50	Infinite		
27	PF 3"	6.00	-	10.42	-	7.87	-	0.73	Infinite		
28	PF 4"	9.00	-	15.64	-	11.80	-	0.73	Infinite		
29	PF 6"	12.50	-	21.72	-	16.40	-	0.73	Infinite		
30	PF 8"	20.00	-	34.75	-	26.23	-	0.73	Infinite		
31	PF 10"	30.00	-	52.12	-	39.35	-	0.73	Infinite		
32	Standby	3.50		6.08		4.62		0.73	Infinite		
33	Construction/Untreated CAP	-	-	-	-	-	-	0.50	Infinite		

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED RATES						STAFF RECOMMENDED RATES					
		TIER ONE		TIER TWO		TIER THREE		TIER ONE		TIER TWO		TIER THREE	
		COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT
34	Residential 5/8"	$ 0.7780	6,000	$ 1.3340	27,000	$ 2.0020	Infinite	$ 0.7900	4,000	$ 1.1600	18,000	$ 1.4130	Infinite
35	Residential 3/4"	0.7780	6,000	1.3340	27,000	2.0020	Infinite	0.7900	4,000	1.1600	18,000	1.4130	Infinite
36	Residential 1"	0.7780	6,000	1.3340	27,000	2.0020	Infinite	1.1600	50,000	1.4130	Infinite		
37	Residential 1.5"	0.7780	6,000	1.3340	27,000	2.0020	Infinite	1.1600	100,000	1.4130	Infinite		
38	Residential 2"	0.7780	6,000	1.3340	27,000	2.0020	Infinite	1.1600	150,000	1.4130	Infinite		
39	Residential 3"	0.7780	6,000	1.3340	27,000	2.0020	Infinite	1.1600	275,000	1.4130	Infinite		
40	Residential 4"	0.7780	6,000	1.3340	27,000	2.0020	Infinite	1.1600	450,000	1.4130	Infinite		
41	Residential 6"	0.7780	6,000	1.3340	27,000	2.0020	Infinite	1.1600	625,000	1.4130	Infinite		
42	Residential 8"	0.7780	6,000	1.3340	27,000	2.0020	Infinite	1.1600	1,250,000	1.4130	Infinite		
43	Commerical 5/8"	1.3340	19,000	2.0020	Infinite			1.1600	18,000	1.4130	Infinite		
44	Commerical 3/4"	1.3340	30,000	2.0020	Infinite			1.1600	18,000	1.4130	Infinite		
45	Commerical 1"	1.3340	69,000	2.0020	Infinite			1.1600	50,000	1.4130	Infinite		
46	Commerical 1.5"	1.3340	69,000	2.0020	Infinite			1.1600	100,000	1.4130	Infinite		
47	Commerical 2"	1.3340	137,000	2.0020	Infinite			1.1600	150,000	1.4130	Infinite		
48	Commerical 3"	1.3340	226,000	2.0020	Infinite			1.1600	275,000	1.4130	Infinite		
49	Commerical 4"	1.3340	993,000	2.0020	Infinite			1.1600	450,000	1.4130	Infinite		
50	Commerical 6"	1.3340	2,296,500	2.0020	Infinite			1.1600	625,000	1.4130	Infinite		
51	Commercial 8"	1.3340	3,674,400	2.0020	Infinite			1.1600	1,250,000	1.4130	Infinite		
52	Irrigation 1"	1.1300	Infinite					0.8525	Infinite				
53	Irrigation 1.5"	1.1300	Infinite					0.8525	Infinite				
54	Irrigation 2"	1.1300	Infinite					0.8525	Infinite				
55	Irrigation 3"	1.1300	Infinite					0.8525	Infinite				
56	Irrigation 4"	1.1300	Infinite					0.8525	Infinite				
57	Irrigation 6"	1.1300	Infinite					0.8525	Infinite				
58	Pub. Interrupt 3"	0.8700	Infinite					0.6558	Infinite				
59	Pub. Interrupt 8"	0.8700	Infinite					0.6558	Infinite				
60	PF 3"	1.2700	Infinite					0.7900	Infinite				
61	PF 4"	1.2700	Infinite					0.7900	Infinite				
62	PF 6"	1.2700	Infinite					0.7900	Infinite				
63	PF 8"	1.2700	Infinite					0.7900	Infinite				
64	PF 10"	1.2700	Infinite					0.7900	Infinite				
65	Standby	1.2700	Infinite					0.7900	Infinite				
66	Construction/Untreated CAP	0.8700	Infinite					0.6558	Infinite				

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE AND COSTS

LINE NO.	CUSTOMER CLASS	CURRENT AVERAGE USAGE	CURRENT AVERAGE DOLLARS	CURRENT MEDIAN USAGE	CURRENT MEDIAN DOLLARS
1	Residential 5/8"	8,361	$ 11.17	7,000	$ 10.11
2	Residential 3/4"	15,869	18.08	10,000	12.68
3	Residential 1"	38,788	47.17	24,000	33.56
4	Residential 1.5"	73,721	94.30	57,000	78.92
5	Residential 2"	91,864	123.99	64,000	98.36
6	Residential 3"	321,194	363.98	316,000	359.20
7	Residential 4"				
8	Residential 6"	137,292	265.79	21,000	158.80
9	Commerical 5/8"	7,054	10.15	1,000	5.73
10	Commerical 3/4"	9,488	12.21	2,000	6.46
11	Commerical 1"	22,247	31.95	10,000	20.68
12	Commerical 1.5"	46,341	69.11	18,000	43.04
13	Commerical 2"	120,339	150.19	71,000	104.80
14	Commerical 3"	204,111	256.26	130,500	188.54
15	Commerical 4"	1,190,450	1,196.69	1,132,000	1,142.92
16	Commerical 6"	2,486,155	2,426.74	1,674,000	1,679.56
17	Irrigation 1"	77	13.05	-	13.00
18	Irrigation 1.5"	64,318	69.81	54,000	63.10
19	Irrigation 2"	613,500	439.78	609,000	436.85
20	Irrigation 3"	27,462	87.85	-	70.00
21	Irrigation 4"				
22	Irrigation 6"	10,762,250	7,136.46	9,861,000	6,550.65
23	Pub. Interrupt 3"	491,154	245.58	-	3.50
24	Pub. Interrupt 8"	3,167	5.08	-	3.50
25	PF 2"	-	6.00	-	6.00
26	PF 4"	-	9.00	-	9.00
27	PF 6"	-	12.50	-	12.50
28	PF 8"	-	20.00	-	20.00
29	PF 10"				
30	Construction/Untreated CAP	-	3.50	-	3.50
31	Intentionally left blank				

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED AVERAGE	INCREASE	PERCENT	MEDIAN	INCREASE	PERCENT
32	Residential 5/8"	$ 18.47	$ 7.30	65.33%	$ 16.65	$ 6.54	64.71%
33	Residential 3/4"	17.83	(0.25)	-1.36%	10.00	(2.68)	-21.10%
34	Residential 1"	75.35	28.18	59.74%	47.75	14.19	42.28%
35	Residential 1.5"	159.32	65.02	68.95%	125.84	46.92	59.46%
36	Residential 2"	214.02	90.03	72.61%	158.24	59.88	60.87%
37	Residential 3"	713.43	349.45	96.01%	703.03	343.83	95.72%
38	Residential 4"	NOT USED					
39	Residential 6"	546.73	280.94	105.70%	317.92	159.12	100.20%
40	Commerical 5/8"	20.06	9.91	97.64%	11.98	6.25	109.14%
41	Commerical 3/4"	12.66	0.45	3.66%	2.67	(3.79)	-58.70%
42	Commerical 1"	48.75	16.80	52.57%	32.41	11.73	56.72%
43	Commerical 1.5"	94.92	25.81	37.34%	57.11	14.07	32.70%
44	Commerical 2"	212.01	61.82	41.16%	146.19	41.39	39.50%
45	Commerical 3"	364.05	107.79	42.06%	265.86	77.32	41.01%
46	Commerical 4"	1,869.29	672.60	56.20%	1,752.27	609.35	53.32%
47	Commerical 6"	3,736.46	1,309.72	53.97%	2,526.36	846.80	50.42%
48	Irrigation 1"	22.68	9.63	73.77%	22.59	9.59	73.77%
49	Irrigation 1.5"	121.33	51.52	73.80%	109.67	46.57	73.80%
50	Irrigation 2"	764.49	324.71	73.83%	759.40	322.55	73.84%
51	Irrigation 3"	152.65	64.80	73.76%	121.62	51.62	73.74%
52	Irrigation 4"	NOT USED					
53	Irrigation 6"	12,406.31	5,269.85	73.84%	11,387.90	4,837.25	73.84%
54	Pub. Interrupt 3"	433.38	187.80	76.47%	-	-	N/A
55	Pub. Interrupt 8"	8.84	3.75	73.80%	-	-	N/A
56	PF 2"	10.42	4.42	73.67%	-	-	N/A
57	PF 4"	15.64	6.64	73.78%	-	-	N/A
58	PF 6"	21.72	9.22	73.76%	-	-	N/A
59	PF 8"	34.75	14.75	73.75%	-	-	N/A
60	PF 10"	NOT USED					
61	Standby	6.08	2.58	73.71%	-	-	N/A
62	Construction/Untreated CAP	NOT USED					

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE AND COSTS

LINE NO.	CUSTOMER CLASS	STAFF RECOMMENDED					
		AVERAGE	INCREASE	PERCENT	MEDIAN	INCREASE	PERCENT
63	Residential 5/8"	$ 14.78	$ 3.61	32.31%	$ 13.20	$ 3.09	30.56%
64	Residential 3/4"	23.49	5.41	29.91%	16.68	4.00	31.55%
65	Residential 1"	61.99	14.82	31.43%	44.84	11.28	33.61%
66	Residential 1.5"	120.52	26.22	27.80%	101.12	22.20	28.13%
67	Residential 2"	159.56	35.57	28.69%	127.24	28.88	29.36%
68	Residential 3"	474.27	110.29	30.30%	466.93	107.73	29.99%
69	Residential 4"	NOT USED					
70	Residential 6"	344.26	78.47	29.52%	209.36	50.56	31.84%
71	Commerical 5/8"	14.74	4.59	45.25%	7.72	1.99	34.73%
72	Commerical 3/4"	17.57	5.36	43.87%	8.88	2.42	37.46%
73	Commerical 1"	42.81	10.86	33.98%	28.60	7.92	38.30%
74	Commerical 1.5"	88.76	19.65	28.43%	55.88	12.84	29.83%
75	Commerical 2"	192.59	42.40	28.23%	135.36	30.56	29.16%
76	Commerical 3"	326.77	70.51	27.51%	241.38	52.84	28.03%
77	Commerical 4"	1,703.26	506.57	42.33%	1,620.67	477.75	41.80%
78	Commerical 6"	3,539.81	1,113.07	45.87%	2,392.24	712.68	42.43%
79	Irrigation 1"	17.12	4.07	31.15%	17.05	4.05	31.15%
80	Irrigation 1.5"	89.83	20.02	28.68%	81.04	17.94	28.43%
81	Irrigation 2"	576.03	136.25	30.98%	572.20	135.35	30.98%
82	Irrigation 3"	113.41	25.56	29.10%	90.00	20.00	28.57%
83	Irrigation 4"	NOT USED					
84	Irrigation 6"	9,360.26	2,223.80	31.16%	8,591.91	2,041.26	31.16%
85	Pub. Interrupt 3"	326.69	81.11	33.03%	4.59	1.09	31.14%
86	Pub. Interrupt 8"	6.67	1.58	31.15%	4.59	1.09	31.14%
87	PF 3"	7.87	1.87	31.17%	7.87	1.87	31.17%
88	PF 4"	11.80	2.80	31.11%	11.80	2.80	31.11%
89	PF 6"	16.40	3.90	31.20%	16.40	3.90	31.20%
90	PF 8"	26.23	6.23	31.15%	26.23	6.23	31.15%
91	PF 10"	NOT USED					
92	Standby	4.59	1.09	31.14%	4.62	1.12	32.00%
93	Construction/Untreated CAP	NOT USED					

ARIZONA-AMERICAN WATER COMPANY, INC. - SUN CITY WEST WATER: RATE DESIGN REVISED 2/17/2004
Docket No. WS-01303A-02-0867 et al.
Test Year Ended December 31, 2001

Sun City West Schedule DRR-1
Revised 2/17/2004

Description	Present Revenue	Staff Recommended	Difference	%
Residential 5/8"	$ 2,078,864	$ 2,251,432	$ 172,568	7.66%
Residential 3/4"	409	484	75	15.50%
Residential 1"	40,107	46,252	6,145	13.29%
Residential 1.5"	511,337	573,776	62,439	10.88%
Residential 2"	162,039	179,338	17,299	9.65%
Residential 3"	NOT USED			
Residential 4"	117,032	152,114	35,082	23.06%
Residential 6"	NOT USED			
Commerical 5/8"	9,326	11,068	1,742	15.74%
Commerical 3/4"	NOT USED			
Commerical 1"	33,715	39,432	5,717	14.50%
Commerical 1.5"	75,359	87,428	12,069	13.80%
Commerical 2"	214,510	250,657	36,147	14.42%
Commerical 3"	47,070	56,402	9,332	16.55%
Commerical 4"	11,618	13,990	2,372	16.95%
Commerical 6"	4,923	5,399	476	8.82%
PF 4"	4,680	5,137	457	8.90%
PF 6"	11,880	13,042	1,162	8.91%
PF 8"	5,040	5,532	492	8.90%
Construction				
Effluent Sales, Per Acre Foot				
Untreated CAP				
Total Revenues	$ 3,327,909	$ 3,691,483	$ 363,574	9.85%
Miscellaneous Revenues	37,640			
Total	$ 3,365,549			
Schedule All-1 Revenue Requirement		3,691,480		
Bill Count Over/(Short) Revenue Requirements		$ 3		
Percent		0.0001%		

ARIZONA-AMERICAN WATER COMPANY, INC. - SUN CITY WEST WATER: RATE DESIGN REVISED 2/17/2004
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Sun City West Schedule DRR-2
Revised 2/17/2004

MINIMUM MONTHLY CHARGES

LINE NO.	CUSTOMER CLASS	PRESENT		COMPANY PROPOSED		STAFF RECOMMENDED		PRESENT RATES			
								TIER ONE		TIER TWO	
		MINIMUM CHARGE	GALLONS INCLUDED	MINIMUM CHARGE (b)	GALLONS INCLUDED	MINIMUM CHARGE	GALLONS INCLUDED	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT
1	Residential 5/8"	$ 5.00	-	$ 8.47	-	$ 5.49	-				
2	Residential 3/4"	5.00	-	11.06	-	5.49	-	$ 0.93	8,000	$ 1.12	Infinite
3	Residential 1"	13.00	-	16.25	-	14.00	-	0.93	8,000	1.12	Infinite
4	Residential 1.5"	28.00	-	29.22	-	30.00	-	0.93	8,000	1.12	Infinite
5	Residential 2"	41.00	-	44.78	-	44.00	-	0.93	8,000	1.12	Infinite
6	Residential 3"	70.00	-	81.08	-	76.00	-	0.93	8,000	1.12	Infinite
7	Residential 4"	103.00	-	132.95	-	113.00	-	0.93	8,000	1.12	Infinite
8	Residential 6"	141.00	-	262.62	-	155.00	-	0.93	8,000	1.12	Infinite
9	Residential 8"	-	-	452.56	-	350.00	-	0.93	8,000	1.12	Infinite
10	Commerical 5/8"	5.00	-	8.47	-	5.49	-	0.93	8,000	1.12	Infinite
11	Commerical 3/4"	5.00	-	11.06	-	5.49	-	0.93	8,000	1.12	Infinite
12	Commerical 1"	13.00	-	16.25	-	14.00	-	0.93	8,000	1.12	Infinite
13	Commerical 1.5"	28.00	-	29.22	-	30.00	-	0.93	8,000	1.12	Infinite
14	Commerical 2"	41.00	-	44.78		44.00	-	0.93	8,000	1.12	Infinite
15	Commerical 3"	70.00	-	81.08	-	76.00	-	0.93	8,000	1.12	Infinite
16	Commerical 4"	103.00	-	132.95	-	113.00	-	0.93	8,000	1.12	Infinite
17	Commerical 6"	141.00	-	262.62	-	155.00	-	0.93	8,000	1.12	Infinite
18	Commercial 8"			452.56							
19	PF 4"	30.00	-	40.50	-	32.93	-	0.93	8,000	1.12	Infinite
20	PF 6"	45.00	-	60.75	-	49.40	-	0.93	Infinite		Infinite
21	PF 8"	60.00	-	81.00	-	65.86	-	0.93	Infinite		Infinite
22	PF 10"	120.00	-	162.00	-	131.72	-	0.93	Infinite		Infinite
23	Construction	8.00	-	To be cancelled		To be cancelled		0.60	Infinite		
24	Effluent Sales, Per Acre Foot	-	-	-	-	-	-	150.00	Per Acre Foot		
25	Construction/Untreated CAP	-	-	-	-	-	-	0.50	Infinite		

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED RATES						STAFF RECOMMENDED RATES					
		TIER ONE		TIER TWO		TIER THREE		TIER ONE		TIER TWO		TIER THREE	
		COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT
26	Residential 5/8"	$ 0.7240	4,000	$ 1.2420	12,000	$ 1.8630	Infinite	$ 0.8300	4,000	$ 1.2200	15,000	$ 1.4680	Infinite
27	Residential 3/4"	0.7240	4,000	1.2420	12,000	1.8630	Infinite	0.8300	4,000	1.2200	15,000	1.4680	Infinite
28	Residential 1"	0.7240	4,000	1.2420	12,000	1.8630	Infinite	1.2200	40,000	1.4680	Infinite		
29	Residential 1.5"	0.7240	4,000	1.2420	12,000	1.8630	Infinite	1.2200	90,000	1.4680	Infinite		
30	Residential 2"	0.7240	4,000	1.2420	12,000	1.8630	Infinite	1.2200	130,000	1.4680	Infinite		
31	Residential 3"	0.7240	4,000	1.2420	12,000	1.8630	Infinite	1.2200	225,000	1.4680	Infinite		
32	Residential 4"	0.7240	4,000	1.2420	12,000	1.8630	Infinite	1.2200	350,000	1.4680	Infinite		
33	Residential 6"	0.7240	4,000	1.2420	12,000	1.8630	Infinite	1.2200	500,000	1.4680	Infinite		
34	Residential 8"	0.7240	4,000	1.2420	12,000	1.8630	Infinite	1.2200	1,250,000	1.4680	Infinite		
35	Commerical 5/8"	1.2420	13,000	1.8630	Infinite			1.2200	15,000	1.4680	Infinite		
36	Commerical 3/4"	1.2420		1.8630	Infinite			1.2200	15,000	1.4680	Infinite		
37	Commerical 1"	1.2420	32,000	1.8630	Infinite			1.2200	40,000	1.4680	Infinite		
38	Commerical 1.5"	1.2420	86,000	1.8630	Infinite			1.2200	90,000	1.4680	Infinite		
39	Commerical 2"	1.2420	161,000	1.8630	Infinite			1.2200	130,000	1.4680	Infinite		
40	Commerical 3"	1.2420	626,500	1.8630	Infinite			1.2200	225,000	1.4680	Infinite		
41	Commerical 4"	1.2420	404,000	1.8630	Infinite			1.2200	350,000	1.4680	Infinite		
42	Commerical 6"	1.2420	193,000	1.8630	Infinite			1.2200	500,000	1.4680	Infinite		
43	Commercial 8"	1.2420	3,132,500	1.8630	Infinite			1.2200	1,250,000	1.4680	Infinite		
44	PF 4"	1.25	Infinite					1.0200	Infinite				
45	PF 6"	1.25	Infinite					1.0200	Infinite				
46	PF 8"	1.25	Infinite					1.0200	Infinite				
47	Construction	Cancelled						Cancelled					
48	Effluent Sales, Per Acre Foot	202.27	Per Acre Foot					164.6475					
49	Construction/Untreated CAP	0.67	Infinite					0.5488					

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN COST COMPARISONS

LINE NO.	CUSTOMER CLASS	CURRENT AVERAGE USAGE	CURRENT AVERAGE DOLLARS	CURRENT MEDIAN USAGE	CURRENT MEDIAN DOLLARS
1	Residential 5/8"	7,171	$ 11.67	6,000	$ 10.58
2	Residential 3/4"	27,333	$ 34.09	19,000	$ 24.76
3	Residential 1"	15,429	$ 28.76	9,000	$ 21.56
4	Residential 1.5"	59,042	$ 92.61	47,000	$ 79.12
5	Residential 2"	55,342	$ 101.46	49,000	$ 94.36
6	Residential 3"				
7	Residential 4"	8,617,167	$ 9,752.71	8,562,000	$ 9,690.92
8	Residential 6"				
9	Commerical 5/8"	5,736	$ 10.33	-	$ 5.00
10	Commerical 3/4"				
11	Commerical 1"	28,108	$ 42.96	15,000	$ 28.28
12	Commerical 1.5"	56,383	$ 89.63	21,000	$ 50.00
13	Commerical 2"	97,766	$ 148.98	33,000	$ 76.44
14	Commerical 3"	185,076	$ 275.76	11,000	$ 80.80
15	Commerical 4"	773,833	$ 968.17	738,000	$ 928.04
16	Commerical 6"	241,750	$ 410.24	239,000	$ 407.16
17	PF 4"	-	$ 30.00	-	$ 30.00
18	PF 6"	-	$ 45.00	-	$ 45.00
19	PF 8"	-	$ 60.00	-	$ 60.00
21	Construction				
22	Effluent Sales, Per Acre Foot				
23	Construction/Untreated CAP				

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED AVERAGE	INCREASE	PERCENT	MEDIAN	INCREASE	PERCENT
24	Residential 5/8"	$ 15.30	$ 3.63	31.14%	$ 13.85	$ 3.27	30.91%
25	Residential 3/4"	52.46	18.37	53.88%	36.93	12.17	49.16%
26	Residential 1"	35.47	6.71	23.33%	25.36	3.80	17.61%
27	Residential 1.5"	129.69	37.08	40.04%	107.26	28.14	35.56%
28	Residential 2"	138.36	36.90	36.37%	126.54	32.18	34.11%
29	Residential 3"						
30	Residential 4"	16,177.21	6,424.50	65.87%	16,074.43	6,383.51	65.87%
31	Residential 6"						
32	Commerical 5/8"	15.59	5.26	50.96%	8.47	3.47	69.40%
33	Commerical 3/4"						
34	Commerical 1"	51.16	8.20	19.09%	34.88	6.60	23.34%
35	Commerical 1.5"	99.25	9.62	10.73%	55.30	5.30	10.60%
36	Commerical 2"	166.21	17.23	11.56%	85.77	9.33	12.20%
37	Commerical 3"	310.94	35.18	12.76%	94.74	13.94	17.25%
38	Commerical 4"	1,323.72	355.55	36.72%	1,256.96	328.92	35.44%
39	Commerical 6"	593.15	182.91	44.59%	588.02	180.86	44.42%
40	PF 4"	40.50	10.50	35.00%	40.50	10.50	35.00%
41	PF 6"	60.75	15.75	35.00%	60.75	15.75	35.00%
42	PF 8"	81.00	21.00	35.00%	81.00	21.00	35.00%
43	Construction						
44	Effluent Sales, Per Acre Foot						
45	Construction/Untreated CAP						

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN COST COMPARISONS

LINE NO.	CUSTOMER CLASS	STAFF RECOMMENDED					
		AVERAGE	INCREASE	PERCENT	MEDIAN	INCREASE	PERCENT
46	Residential 5/8"	$ 12.68	$ 1.01	8.64%	$ 11.25	$ 0.67	6.33%
47	Residential 3/4"	40.33	6.24	18.32%	28.10	3.34	13.50%
48	Residential 1"	32.82	4.06	14.13%	24.98	3.42	15.86%
49	Residential 1.5"	102.03	9.42	10.17%	87.34	8.22	10.39%
50	Residential 2"	111.52	10.06	9.91%	103.78	9.42	9.98%
51	Residential 3"	NOT USED					
52	Residential 4"	12,676.20	2,923.49	29.98%	12,595.22	2,904.30	29.97%
53	Residential 6"	NOT USED					
54	Commerical 5/8"	12.49	2.16	20.89%	5.49	0.49	9.80%
55	Commerical 3/4"	NOT USED					
56	Commerical 1"	48.29	5.33	12.41%	32.30	4.02	14.21%
57	Commerical 1.5"	98.79	9.16	10.22%	55.62	5.62	11.24%
58	Commerical 2"	163.27	14.29	9.59%	84.26	7.82	10.23%
59	Commerical 3"	301.79	26.03	9.44%	89.42	8.62	10.67%
60	Commerical 4"	1,162.19	194.02	20.04%	1,109.58	181.54	19.56%
61	Commerical 6"	449.94	39.70	9.68%	446.58	39.42	9.68%
62	PF 4"	32.93	2.93	9.77%	32.93	2.93	9.77%
63	PF 6"	49.40	4.40	9.78%	49.40	4.40	9.78%
64	PF 8"	65.86	5.86	9.77%	65.86	5.86	9.77%
65	Construction	TO BE CANCELLED					
66	Effluent Sales, Per Acre Foot						
67	Untreated CAP						

ARIZONA-AMERICAN WATER COMPANY, INC. - TUBAC WATER: RATE DESIGN REVISED 2/17/2004
Docket No. WS-01303A-02-0867 et al.
Test Year Ended December 31, 2001

Tubac Schedule DRR-1
Revised 2/17/2004

Description	Present Revenue	Staff Recommended	Difference	%
Residential 5/8"	$ 193,116	$ 256,923	$ 63,807	33.04%
Residential 3/4"				
Residential 1"	11,709	16,089	4,380	37.41%
Residential 1.5"	1,501	1,990	489	32.59%
Residential 2"	1,671	2,230	559	33.46%
Residential 3"	1,255	1,692	437	34.80%
Residential 4"				
Residential 6"				
Residential 8"				
Commerical 5/8"	20,794	29,227	8,433	40.56%
Commerical 3/4"				
Commerical 1"	7,171	10,005	2,834	39.52%
Commerical 1.5"	2,753	3,666	913	33.15%
Commerical 2"	9,544	13,298	3,754	39.33%
Commerical 3"	1,608	2,162	554	34.42%
Commerical 4"				
Commerical 6"				
Commerical 8"				
Totals	$ 251,122	$ 337,282	$ 86,160	34.31%
Miscellaneous Revenues	2,691			
Total	$ 253,813			
Schedule AII-1		337,215		
Bill Count Over/(Short) Revenue Requirements		$ 67		
Percent		0.0198%		

MINIMUM MONTHLY CHARGES AND COMMODITY RATES

LINE NO.	CUSTOMER CLASS	PRESENT		COMPANY PROPOSED		STAFF RECOMMENDED		PRESENT RATES			
								TIER ONE		TIER TWO	
		MINIMUM CHARGE	GALLONS INCLUDED	MINIMUM CHARGE	GALLONS INCLUDED	MINIMUM CHARGE	GALLONS INCLUDED	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT
1	Residential 5/8"	$ 15.35	-	$ 28.45	-	$ 20.59	-	$ 1.66	8,000	$ 2.04	Infinite
2	Residential 3/4"	15.35	-	38.38	-	20.59	-	1.66	8,000	2.04	Infinite
3	Residential 1"	23.00	-	58.23	-	31.00	-	1.66	8,000	2.04	Infinite
4	Residential 1.5"	46.00	-	107.87	-	62.00	-	1.66	8,000	2.04	Infinite
5	Residential 2"	76.00	-	167.43	-	102.00	-	1.66	8,000	2.04	Infinite
6	Residential 3"	90.00	-	306.42	-	121.00	-	1.66	8,000	2.04	Infinite
7	Residential 4"	132.00	-	504.96	-	177.00	-	1.66	8,000	2.04	Infinite
8	Residential 6"	180.00	-	1,001.33	-	242.00	-	1.66	8,000	2.04	Infinite
9	Residential 8"	N/A	-	1,662.33	-	500.00	-	1.66	8,000	2.04	Infinite
10	Commerical 5/8"	15.35	-	28.45	-	20.59	-	1.66	8,000	2.04	Infinite
11	Commerical 3/4"	15.35	-	38.38	-	20.59	-	1.66	8,000	2.04	Infinite
12	Commerical 1"	23.00	-	58.23	-	31.00	-	1.66	8,000	2.04	Infinite
13	Commerical 1.5"	46.00	-	107.87	-	62.00	-	1.66	8,000	2.04	Infinite
14	Commerical 2"	76.00	-	167.43	-	102.00	-	1.66	8,000	2.04	Infinite
15	Commerical 3"	90.00	-	306.42	-	121.00	-	1.66	8,000	2.04	Infinite
16	Commerical 4"	132.00	-	504.96	-	177.00	-	1.66	8,000	2.04	Infinite
17	Commerical 6"	180.00	-	1,001.33	-	242.00	-	1.66	8,000	2.04	Infinite
18	Commerical 8"	N/A	-	1,662.33	-	500.00	-	1.66	8,000	2.04	Infinite

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED RATES						STAFF RECOMMENDED RATES					
		TIER ONE		TIER TWO		TIER THREE		TIER ONE		TIER TWO		TIER THREE	
		COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT	COMMODITY RATE	UPPER LIMIT
19	Residential 5/8"	$ 1.6640	6,000	$ 2.8530	17,000	$ 4.2800	Infinite	$ 1.7100	4,000	$ 2.5800	20,000	$ 3.0550	Infinite
20	Residential 3/4"	1.6640	6,000	2.8530	17,000	4.2800	Infinite	1.7100	4,000	2.5800	20,000	3.0550	Infinite
21	Residential 1"	1.6640	6,000	2.8530	17,000	4.2800	Infinite	2.5800	35,000	3.0550	Infinite		
22	Residential 1.5"	1.6640	6,000	2.8530	17,000	4.2800	Infinite	2.5800	75,000	3.0550	Infinite		
23	Residential 2"	1.6640	6,000	2.8530	17,000	4.2800	Infinite	2.5800	125,000	3.0550	Infinite		
24	Residential 3"	1.6640	6,000	2.8530	17,000	4.2800	Infinite	2.5800	150,000	3.0550	Infinite		
25	Residential 4"	1.6640	6,000	2.8530	17,000	4.2800	Infinite	2.5800	250,000	3.0550	Infinite		
26	Residential 6"	1.6640	6,000	2.8530	17,000	4.2800	Infinite	2.5800	350,000	3.0550	Infinite		
27	Residential 8"	1.6640	6,000	2.8530	17,000	4.2800	Infinite	2.5800	850,000	3.0550	Infinite		
28	Commerical 5/8"	2.8530	11,000	4.2800	Infinite			2.5800	20,000	3.0550	Infinite		
29	Commerical 3/4"	2.8530	-	4.2800	Infinite			2.5800	20,000	3.0550	Infinite		
30	Commerical 1"	2.8530	32,000	4.2800	Infinite			2.5800	35,000	3.0550	Infinite		
31	Commerical 1.5"	2.8530	37,000	4.2800	Infinite			2.5800	75,000	3.0550	Infinite		
32	Commerical 2"	2.8530	115,500	4.2800	Infinite			2.5800	125,000	3.0550	Infinite		
33	Commerical 3"	2.8530	27,500	4.2800	Infinite			2.5800	150,000	3.0550	Infinite		
34	Commerical 4"	2.8530	360,938	4.2800	Infinite			2.5800	250,000	3.0550	Infinite		
35	Commerical 6"	2.8530	721,875	4.2800	Infinite			2.5800	350,000	3.0550	Infinite		
36	Commerical 8"	2.8530	1,155,000	4.2800	Infinite			2.5800	850,000	3.0550	Infinite		

TYPICAL BILL ANALYSIS AVERAGE AND MEDIAN USAGE AND COSTS

LINE NO.	CUSTOMER CLASS	CURRENT AVERAGE USAGE	CURRENT AVERAGE DOLLARS	CURRENT MEDIAN USAGE	CURRENT MEDIAN DOLLARS
1	Residential 5/8"	13,177	$ 39.19	8,000	$ 28.63
2	Residential 3/4"	N/A			
3	Residential 1"	15,301	51.17	12,000	44.44
4	Residential 1.5"	40,250	125.07	24,000	91.92
5	Residential 2"	32,500	139.26	30,000	134.16
6	Residential 3"	3,538	95.87	-	90.00
7	Residential 4"	N/A			
8	Residential 6"	N/A			
9	Residential 8"	N/A			
10	Commerical 5/8"	9,090	30.85	5,000	23.65
11	Commerical 3/4"	N/A			
12	Commerical 1"	19,172	59.07	8,000	36.28
13	Commerical 1.5"	35,167	114.70	26,000	96.00
14	Commerical 2"	159,167	397.66	29,000	132.12
15	Commerical 3"	22,833	133.54	6,000	99.96
16	Commerical 4"	N/A			
17	Commerical 6"	N/A			
18	Commerical 8"	N/A			
28	Intentionally left blank				

LINE NO.	CUSTOMER CLASS	COMPANY PROPOSED AVERAGE	INCREASE	PERCENT	MEDIAN	INCREASE	PERCENT
29	Residential 5/8"	$ 58.91	$ 19.72	50.32%	$ 44.14	$ 15.51	54.17%
30	Residential 3/4"	N/A					
31	Residential 1"	94.75	43.58	85.17%	85.33	40.89	92.02%
32	Residential 1.5"	248.75	123.68	98.89%	179.20	87.28	94.95%
33	Residential 2"	275.14	135.88	97.57%	264.44	130.28	97.11%
34	Residential 3"	312.31	216.44	225.76%	306.42	216.42	240.47%
35	Residential 4"	N/A					
36	Residential 6"	N/A					
37	Residential 8"	N/A					
38	Commerical 5/8"	54.38	23.53	76.28%	42.72	19.07	80.61%
39	Commerical 3/4"	N/A					
40	Commerical 1"	112.93	53.86	91.18%	81.05	44.77	123.41%
41	Commerical 1.5"	208.20	93.50	81.52%	182.05	86.05	89.63%
42	Commerical 2"	683.85	286.19	71.97%	250.17	118.05	89.35%
43	Commerical 3"	371.56	238.02	178.24%	323.54	223.58	223.67%
44	Commerical 4"	N/A					
45	Commerical 6"	N/A					
46	Commerical 8"	N/A					
47	Intentionally left blank						

(a) Reflects phase two rates.

LINE NO.	CUSTOMER CLASS	STAFF RECOMMENDED AVERAGE	INCREASE	PERCENT	MEDIAN	INCREASE	PERCENT
48	Residential 5/8"	$ 51.11	$ 11.92	30.41%	$ 37.75	$ 9.12	31.85%
49	Residential 3/4"	N/A			N/A		
50	Residential 1"	70.48	19.31	37.73%	61.96	17.52	39.42%
51	Residential 1.5"	165.85	40.78	32.60%	123.92	32.00	34.81%
52	Residential 2"	185.85	46.59	33.46%	179.40	45.24	33.72%
53	Residential 3"	130.13	34.26	35.73%	121.00	31.00	34.44%
54	Residential 4"	N/A			N/A		
55	Residential 6"	N/A			N/A		
56	Residential 8"	N/A			N/A		
57	Commerical 5/8"	44.04	13.19	42.76%	33.49	9.84	41.61%
58	Commerical 3/4"	N/A			N/A		
59	Commerical 1"	80.46	21.39	36.22%	51.64	15.36	42.34%
60	Commerical 1.5"	152.73	38.03	33.16%	129.08	33.08	34.46%
61	Commerical 2"	528.88	131.22	33.00%	176.82	44.70	33.83%
62	Commerical 3"	179.91	46.37	34.72%	136.48	36.52	36.53%
63	Commerical 4"	N/A			N/A		
64	Commerical 6"	N/A			N/A		
65	Commerical 8"	N/A			N/A		
66	Intentionally left blank						